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BEFORE THE

National War Labor Board

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GENERAL ELECTRIC COMPANY and UNITED ELECTRICAL, RADIO & MACHINE WORKERS OF AMERICA, C.I.O.	Case No. 111-8214-D

BRIEF

Submitted By

UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA, CIO

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General Electric Company and United Electrical, Radio & Machine Workers of America, C.I.O.	Case No. 111-8214-D

BRIEF

Submitted By

UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA, CIO

Publisher's Gift
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Business
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The Issues

1. *The 17c Wage Adjustment*

The union requests a 17c per hour general wage increase based on the increase in the cost of living since January 1, 1941.

2. *Effective Date*

The union requests that such general wage increase be effective as of January 1, 1944.

3. *Monthly Cost of Living Bonus*

The union requests a monthly cost of living bonus based on any increases in the cost of living after January 1, 1944.

4. *The Guaranteed Weekly Wage*

The union requests the following contract provision:

The Union and the Company will cooperate in an effort to accelerate and effectuate necessary conversion and to assure maximum employment.

For the duration of this contract, employees shall be guaranteed a weekly wage for each week. The guaranteed weekly wage shall consist of the average weekly earnings for forty (40) hours computed on the earnings of the last complete calendar quarter year of their employment, and including any general wage adjustment which may be negotiated, or ordered during the life of this contract. Any payments which employees may receive as a result of the application of unemployment insurance laws shall be offset against such guaranteed weekly earnings.

5. *Progression increases for Salaried Workers (Westinghouse only)*

This issue is not discussed in this brief since it affects only Westinghouse workers. It will be presented and discussed separately.

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APR 29 1946 PCR

Introduction

Few, if any, organizations in America can equal the record of the United Electrical, Radio and Machine Workers of America (CIO) which has consistently championed the cause of a balanced national economy in which the welfare of the majority of the entire people in time of war would be protected by fair taxes, controlled prices and just wages.

The UE has long taken the position that the union is part of the life of the community in which its members live and work. From this flows the logical conclusion that benefits for one group within any community must also be benefits for all groups within a community. Security is indivisible.

Realizing this fundamental truth, the UE made certain proposals as early as March 28, 1942, for a balanced national economy. On April 25 the union stated: "If a total approach is made on taxation, price control, rationing and wages, established Government agencies such as the War Labor Board can handle any further problem of wage adjustment inequities without the necessity of entertaining any notions of wage freezing."

Following the announcement of the President's 7-point program, on April 27, 1942, the UE whole-heartedly endorsed its objectives. The UE initiated a thorough program of action for the purpose of securing legislation designed to establish the balanced national economy demanded by the President.

That such stability has not resulted but, on the contrary, that the cost of living has risen according to carefully compiled figures by 45.3% since January 1941, is no fault of this union. Rather, it is the fault of interests who place selfish ends above those of the nation's welfare. It is the fault of those who have permitted partisanship to overshadow their patriotism.

Such militant action of the UE for a balanced national economy was a part of the campaign waged by the union to assist in placing the home economy on a victory basis. The day after Pearl Harbor, the union's General Executive Board declared:

NOTE: The UE wishes to express its indebtedness to President Philip Murray of the CIO and United Steelworkers of America for the splendid Brief submitted to the National War Labor Board Panel by the U.S.A.—CIO. The material presented in that brief was of invaluable assistance in the preparation of the UE Brief.

"From this moment until final victory, one primary purpose must and will control every plan and every activity of this union . . . That purpose, single and unalterable, is the military defeat of world fascism."

With this as a guidepost, the UE formulated a three-point program which is the keystone of its contribution to the war effort:

a—Establishment of labor-management production councils.

b—Maintenance of a high worker morale.

c—Strict adherence to the union's no-strike pledge.

This program has been adhered to in the critical years that followed.

Records at the War Production Drive headquarters reveal that more than 300 labor-management committees exist in plants throughout the nation where the UE represents the employees. This is one of the highest, if not the highest, record of its kind in the nation.

On the subject of the maintenance of a high worker morale, the UE has made major contributions in this direction. So influential has the work of our union been in this regard that the Army newspaper, "Stars and Stripes" mentioned the UE specifically in discussing labor's contribution to the war effort. On D-Day alone, throughout the nation, the UE took the lead in summoning forth maximum production efforts from all workers by the calling of mass meetings and the printing of material designed to boost morale.

On the subject of the no-strike pledge, so scrupulously did the UE follow its declaration of program that Under Secretary of War Robert R. Patterson stated in December, 1943:

"As we turn toward the tougher struggle ahead, it is gratifying to note the excellent record made by your union in its observance of its no-strike pledge. With that kind of backing, our soldiers will move into the decisive phase of the war with an overwhelming superiority of firepower and equipment over the armies of Hitler and Hirohito."

It has been this same spirit that has motivated the union in its desire to work for a balanced national economy in the nation. Realizing that without such stabilization, no other accomplishments could be more than temporary, the union has devoted a major portion of its time and interest to the campaign for a stable national economy.

The same responsibility for the welfare of the country has prompted the UE to ask for a guaranteed weekly wage. The UE believes that it is essential for labor and industry to begin now in time of war to cooperate and plan for that lasting peace which can only be established on the foundations of a sound economy. A sound economy must provide employment for all its members who need to work. Such full employment can only be achieved by developing to the fullest the foreign and

home markets. Extensive markets are only possible on the basis of raising the living standards of our own people and those of other peoples.

The UE believes that the guaranteed weekly wage will help provide that minimum of purchasing power which is so essential to the welfare of our Nation.

Our position in regard to the urgent need for 17c-an-hour wage adjustments and the guaranteed weekly wage as contained in our detailed brief presented to you, can be summed up in the following outline:

Outline of Brief

The President's 7-Point Program, proposed in April 1942, was an overall program. First, the entire program had to be adopted to control the cost of living; second, each of the seven points if uncontrolled and unregulated would exercise inflationary pressure.

The indivisible nature of the 7-Point Program was recognized by the Price Control Law of October 1942 and by the President's Executive Order No. 9250.

War Labor Board officials, in carrying out the policy of economic stabilization as far as concerns wages, also recognized that wages could be stabilized only provided the entire economic program was put into effect.

Under these circumstances the Little Steel formula which has formed the basis for wage policy, granted an increase of 15 percent to cover an increase in the cost of living presumably of the same magnitude between January, 1941 and May 1942.

However, the Economic Stabilization Program was sabotaged by reactionary Congressmen. Excessive profiteering resulted. Taxation did not siphon off excess profits. Heavy tax burdens were imposed on the low income groups. The subsidy program was limited. Black markets flourished. Under these circumstances, wage stabilization in effect became wage freezing.

Cost of Living Rises

As a result, inflationary pressures resulted in excessive increases in the cost of living.

Unfortunately the War Labor Board has been using the Bureau of Labor Statistics so-called Cost of Living Index in determining wage policy. That this Index was inadequate as a measure of workers' wartime costs was reluctantly admitted recently by the Bureau of Labor Statistics. Its damaging admissions included statements that the Bureau of Labor Statistics Index really measures only retail prices, that it does not measure the full wartime effect on the cost of living of such factors as lowered quality, disappearance of low priced goods and forced changes in housing and eating away from home. Furthermore, it was stated that it does not measure changes in total living costs, and

that the effect of income taxes and bond subscriptions on the cost of living is not included.

The AFL-CIO Cost of Living report and the CIO report, the *Cost of Living in World War II,* 1939-1943 are the only reports that measure all of the factors that affect the wartime rise in the cost of living and these studies should, therefore, be used by official governmental agencies.

Wage Rates Frozen

It is in this framework of unstabilized living costs that Westinghouse and General Electric workers have had their wage rates frozen. Under these circumstances the real earnings of these electrical workers are not sufficient to maintain their living standards of 1940. After making deductions for bond purchases and taxes and allowing for the true increase in the cost of living the Westinghouse and General Electric workers were living below their 1940 standard.

This tremendous decline in spendable weekly earnings for the General Electric and Westinghouse worker has resulted in real hardships for them. A study of the living expenses of these workers made by the UE for the period March to May, 1944 shows this very clearly. Some of the pertinent facts are these:

21c a Meal

Mr. Electrical Worker can spend only 21c on a meal. His rent is no more than $28.52 a month. Mr. and Mrs. Electrical Worker have to skimp on clothing which they find to have deteriorated in value. Despite the need for medical care, 31 percent of the families interviewed could not afford such care because of lack of money. The net affect on the electrical worker's efforts to sustain himself has necessitated his going into the red at the rate of $2.03 a week.

As a result of the failure of effective stabilization, labor's share of the national income has declined markedly despite the fact that the number of employees in the labor market has increased sharply. Whereas labor in 1939 was receiving 65.7 percent of the national income, in 1943 labor was receiving only 59.3 percent of the national income. In simple justice to working people, a wage adjustment should be granted.

Would Not Bring Inflation

Nor are these wage demands inflationary. The 17c adjustment will not result in an increase in the price of electrical equipment, because the increased profits of Westinghouse and General Electrical are ample to pay for the wage adjustment. The increased productivity of General Electric and Westinghouse workers has actually meant that the wage-salary cost per sales dollar was in 1943 at the lowest figure in many many years. It can be expected that the wage adjustment, if granted,

will result in additional increases in productivity which will more than cover the adjustment.

Nor need the increase in purchasing power resulting from the wage adjustment act as an inflationary influence on prices. Increased consumers' purchasing power does not bring on inflation. The inflationary price increases that have occurred were primarily due to the profiteering drive in industry. Price control, rationing and other government war controls have proved the effective way of preventing people from going on a spending spree even if they could.

Moreover, both General Electric and Westinghouse have profited tremendously as a result of the war and are able to pay the wage adjustment without suffering financial impairment. GE resources have increased almost 50 percent as a result of the war. The resources of Westinghouse have almost doubled.

This does not take into account the liberal depreciation policies allowed. It does not include the guarantees incorporated in the revenue tax measure of 1942 which provide refunds for the companies should their profits fall off.

In addition, the War Labor Board should consider the startling increases in productivity as a result of the war effort. This is demonstrated by the fact that GE wage-salary cost per sales dollars was only 35c in 1943, the lowest figure in years; for Westinghouse, the wage-salary cost in 1943 is 44c also the lowest figure in years.

The UE does not believe that the efforts of its employees to achieve the highest war production should result in putting them in a relatively worse economic position as compared to management. The only method for correcting this imbalance would be to raise the obsolete wage structure which has been established on the basis of peacetime production.

The UE is convinced that the detailed evidence submitted justifies the 17c an hour wage adjustment. The UE believes that the monthly cost of living bonus is justified by the continuing break-throughs in price ceilings currently given momentum by the Price Control Bill of 1944.

The UE therefore requests the National War Labor Board to recommend the granting of the UE request for the wage adjustment and cost of living bonus effective as of January 1, 1944.

Unemployment Unnecessary

The Union's request for a guaranteed weekly wage is not based upon the belief that unemployment during reconversion and in the post-war world is necessary. The UE has been meeting and is willing to meet with all representatives of industry in order to work out a program for orderly reconversion and for perspectives for full production and employment after the war which will be of benefit to both management and labor.

The UE believes that the scientific and technological basis of the

electrical industry offers the possibilities for a tremendous increase in the sale of both new and improved products.

The UE believes the sale of these products for mass markets calls for the utmost farsightedness on the part of industry. It involves providing products for the industrialization of Asia, South America and Africa and for the reconstruction of Europe. If this is done in such a way as to raise the purchasing power of the peoples of these countries, this industrialization will itself create consumer purchasing power among these people and thus create additional markets for consumer equipment.

Vast New Markets

These foreign markets are only a supplement to the home market. These home markets can only be developed on the basis of recognition of the need to maintain and increase the purchasing power of the people. If that be the case, vast new markets can be provided among the lower income brackets and in the South and West. The electrification of the farms will also provide endless markets for industrial electrical equipment and electrical appliances. We repeat that these markets can only be realized by providing the purchasing power, and General Electric and Westinghouse who have a great deal to gain from such markets should take the lead in helping supply high and continuing purchasing power.

The request for a guaranteed weekly wage is made necessary by the fact that Congress has as yet failed to enact suitable legislation to provide the planning necessary for an orderly transition from war to full peacetime production; nor has such planning come from industry. As a result labor has suffered from unplanned reconversion and has had to demand a guaranteed weekly wage with the view that such a guarantee will compel action from the proper authorities.

Guaranteed Wage Possible

Labor bases its request for a guarantee on the fact that farmers and industry have already received such guarantees in case of loss. We would like again to point to the revenue tax measures which protect these companies against failure to maintain their peacetime profit levels. The financial position of Westinghouse and General Electric also makes it possible for them to guarantee weekly wages.

The UE request for a guaranteed weekly wage would merely put labor on an equal footing with industry. The UE repeats its belief that if General Electric and Westinghouse officials adopt a farsighted approach to the possibility of obtaining tremendous foreign and domestic markets, the payment of the guarantee would be unnecessary.

Part 1

THE REQUEST FOR A COST OF LIVING ADJUSTMENT

Section I

BASIS FOR UE REQUEST

The Union demands a 17c per hour general wage increase based on the increase in the cost of living, and a monthly cost of living bonus based on any further increase in the cost of living after January 1, 1944; the 17c cost of living adjustment to be effective as of January 1, 1944.

The basis for the Union's claim for a 17c an hour upward adjustment is threefold:

1. Through its economic stabilization program the Administration undertook to maintain the peacetime standards of labor to insure maximum wartime production. Because of Congressional sabotage the stabilization program was effective only as it applied to labor. While the cost of living conservatively estimated rose 43.5 percent between January, 1941 and December, 1943 labor received only a 15 percent cost of living increase under the Little Steel formula. This has resulted in the deterioration of the peacetime standards of workers of at least 28.5 percent. Between January 1944 and March 1944 the cost of living has increased an additional 1.8 percent, further lowering workers' standards. Additional cost of living increases are resulting from the Price Control Bill of 1944.

2. The Administration through its economic stabilization program undertook to control wages, farm and food prices, and profits to prevent inflation and to prevent any one group from benefitting at the expense of other groups. While wages have been frozen, farm and food prices and corporation profits have continued to rise thus inflating living costs and lowering the livng standards of workers.

3. The productivity of General Electric and Westinghouse employees has increased rapidly during the war as a result of their patriotic efforts and has lowered the two companies' production costs and increased their profits. Incentive pay has only partially recompensed these employees. The productivity increase will carry over to peace-

time. This productivity increase has made obsolete the present level of wage rates which were established on the basis of a much lower pre-war production by employees.

Effective date

The Union requests that the proposed general wage adjustment be made effective as of January 1, 1944.

On April 2, 1943 the General Electric Company agreed in writing that "if any wage adjustments are made by the Company as the result of contract negotiations with the Union, the effective date will be April 7, 1943."

In December 1943 and January 1944 the Union and General Electric Company met and discussed the Union's demand for a 17c general wage adjustment. As the result of these discussions the Union and the Company agreed that if and when any such adjustment was made the effective date would be January 1, 1944. The Union's consent to such effective date rather than April 7, 1943 as had been agreed to on April 2, 1943, was to some extent based on the National War Labor Board decison on retroactivity in the "Steel" case.

Thereafter, however, the General Electric Company reneged on its agreement for the effective date.

Negotiations with the Westinghouse Company on the Union's demand for January 1, 1944 as the effective date for a general wage adjustment did not result in any agreement.

Section II

THE UE AND NATIONAL ECONOMIC STABILIZATION

A. *The UE Has Continuously Demanded Economic Stabilization*

The National Economic Stabilization Program was first presented to Congress by President Roosevelt in April 1942. It had become apparent earlier that year that the economic processes in the United States were getting badly out of joint.

To meet the situation caused by these dislocations, on March 28, 1942 the UE had presented a program for economic stabilization. The UE program was substantially the same as that proposed by the President on April 27th, 1942. This UE program was outlined in the *UE News* of April 25th, 1942 as follows:

"Policy as to price control, as to rationing, as to taxation, as to profits control, as to wage raises and adjustments must be worked out on

a *total* basis; inasmuch as all these matters are closely related, they must be approached *as a whole,* and not piecemeal.

"As to wages, the UE holds that the *demands for general wage rises already made* are for the sole purpose of correcting shortcomings of government policy during the past year. The demands are not made in reference to conditions during the coming year; they are made in light of the failures of Government to control prices, to effect a fair tax program, etc. during the past 12 months . . .

"As to wage demands in *the future,* the UE is willing to undertake voluntary abstention from additional general wage demands, in the expectation that the Administration, the Government, etc., will in fact work out a successful overall approach to price control, taxes, rationing, profits control, etc."

UE backs 7-point program

The President's 7-point program was immediately and enthusiastically supported by the UE. On April 28th, 1942 the UE stated:

"The President's program will be a good one for every group in the United States provided both Congress and the executive branch itself now put it into actual effect.

"The message shows the extent to which reactionary groups in Congress and elsewhere have been able to obstruct the needed all embracing, total approach to our economic problems."

On May 2nd, in reference to the activities of reactionary groups, the UE said:

"They will demand wage-freezing, which the President rightly sees is unsound.

"They will demand more than parity, not for the benefit of the farmers, but for canners and packers.

"They will fight for a tax program that encourages scabbing on the national war effort.

"*Our* job then is to back the President, and to rally immediately the widest and most powerful public support for his overall program . . . "

The warning issued by the UE was justified. The reactionary groups continued to obstruct the execution of the President's program.

On May 30, 1942 the UE General Executive Board pointed out that serious obstacles had arisen in Congress in connection with the overall program of taxation, price control, rationing, wage policy and living and working standards. Again at the 8th annual convention of the UE in September, 1942 this failure of Congress to adopt an economic program was condemned. The UE demanded that Congress carry out the economic stabilization program. The convention stated:

Stabilization lags

"Whereas: Reactionary defeatist groups in the Nation were able to obstruct President Roosevelt's Seven Point Economic Program so effectively that President Roosevelt was obliged on Labor Day to demand that Congress assist him in establishing at once the stable war economy needed to win this war . . .

"That it is the policy of this International Union to do all in its power to bring about a total approach to the total economic questions of the war, namely:

"(a) keeping prices down — keeping down cost of living prices, because rises are the same as wage cuts and because they accrue to the profiteers . . .

"(b) a fair tax program which will odd no extra burdens to the already enormous tax load on families with incomes below the level needed to enable them to continue to contribute to the winning of the war; . . . taxing excessive profits and high corporate and personal incomes . .

"(c) Wage stabilization . . . which excludes wage freezing . . . but permits elimination of inequalities . . . the bringing up of substandard wages and keeping all real wages at such levels as will enable the workers to continue producing at record breaking levels."

In October 1942 Congress passed the Price Control Law. Effective price control, however, was not achieved, and the tax measure Congress passed shortly thereafter ran contrary to the needs of economic stabilization. In December 1942, the UE General Executive Board stated:

"The enemies of democracy at home are rallying to an attack against the people. The Hooverites are swarming back into Congress . . . In the past year these Hooverite disrupters have done their work by scuttling the President's Seven Point Economic Program enunciated last spring."

This recognition that once again effective economic stabilization had failed was contained in the President's "Hold the Line" Order of April 1943 which directed the appropriate officials to take action on prices, action which should have been taken as a result of the price control law of October, 1942. But again economic stabilization was not put into effect.

To meet the ever widening gaps in the stabilization program, the UE again made concrete proposals to industry and to government to effectuate economic stabilization. These proposals were rejected.

The UE's record, therefore, proves that from the very first it recognized the urgent need for economic stabilization; that the UE fought to help achieve economic stabilization; and that it had condemned those in Congress who had put obstacles in the way of its effective realization. The UE's request for a 17c wage adjustment and a

cost of living bonus is a logical development of its continued concern to achieve effective economic stabilization.

B. *The President's 7-Point Economic Stabilization Program*

In his message to Congress the President listed the following points which he stated *"taken together may well be called our present national economic policy"*:

(1) "To keep the cost of living from spiraling upward, we must tax heavily.

(2) "To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers, retailers, wholesalers, and manufacturers pay for the things they buy; and ceilings on rents for dwellings in all areas affected by war industries.

(3) "To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.

(4) "To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.

(5) "To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing war bonds with their earnings instead of using their earnings to buy articles which are not essential.

(6) "To keep the cost of living from spiraling upward, we must ration all essential commodities of which there is a scarcity so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.

(7) "To keep the cost of living from spiraling upward, we must discourage credit and instalment buying and encourage the paying off of debts, mortgages, and other obligations. For this promotes savings, retards excessive buying, and adds to the amount available to the creditor for the purchase of war bonds."

Over-all program

The President, with regard to this program, made these very pertinent remarks:

"There are obvious reasons for taking every step necessary to prevent this rise, I emphasize the words 'every step' because no single step would be adequate by itself. Action in one direction alone would be offset by inaction in other directions. Only an all-embracing program will suffice."

The President, in this initial message, established two basic points:

First, that the entire 7-point program had to be adopted if we were to control the cost of living. Second, that each of the 7 points, if uncontrolled and unregulated, would exercise inflationary pressure. Labor wholeheartedly accepted this program and embarked upon an intensive campaign to achieve its objectives.

C. *The President's 7-Point Program is Ignored*

By September 1942 the crisis on the economic front had become acute as a result of the failure to carry out the President's 7-point program. Only that provision in the 7-point program relating to wages was being rigidly enforced by the National War Labor Board. The President sent a message to Congress and appealed to the people over the radio for the implementation of the economic program. The President made the following points:

1. Wages had been frozen.

2. Other parts of the President's economic program, particularly those parts dealing with farm and food prices and taxation had been ignored.

3. Wages could not remain stabilized in the face of the failure to accomplish the entire program.

4. The failure of Congress to act on the entire economic stabilization program was causing inflation.

Under pressure from the trade unions and the people generally, Congress enacted a Price Control Law in October 1942. This law authorized the President to issue a general order stabilizing prices, wages and salaries affecting the cost of living; and except as otherwise provided in the Act, *such stabilization, insofar as practicable, was to be on the basis of levels which existed on September* 15, 1942. The President was also given authority to provide for adjustments in prices, wages, and salaries to the extent necessary to aid in the prosecution of the war or to correct gross inequities. Farm prices were also controlled under this law.

BUT WHAT HAPPENED?

What President Asked	*What Congress Did*
The President seeks to carry out the law by Executive Order No. 9250	*Congress undermines stabilization directly or through intimidation of Administration Officials.*
1. He established an Office of Economic Stabilization with Mr. Justice Byrnes as Director. The Director was given the authority to develop a comprehensive economic policy to regulate civilian purchasing power, prices, rates, wages, salaries, profits, rationing, and subsidies to avoid increases in the cost of living and help in the prosecution of the war.	**1.** Under Congressional pressure, Mr. Byrnes did not stabilize cost of living as dictated by law; prices of agricultural products were permitted to rise.
2. He authorized the Director of Economic Stabilization to prohibit salaries in excess of $25,000 after payment of taxes.	**2.** April 11, 1943—Congress repeals limitations on salaries to $25,000 a year after taxes.
3. He directed that farm products be stabilized on the basis of levels existing in September, 1942.	**3.** Prices farmers receive for their products have been rising because parity permits increases to meet rising prices of goods that the farmer buys.
4. He directed the Price Administrator of the OPA to establish price ceilings to prevent unreasonable or exorbitant profits.	**4.** Congress slashes appropriation of OPA and makes enforcement of price ceilings weak. Profits of corporations become unreasonable and exorbitant.
5. He directed the Adminstrator of the OPA on the basis of the new law to establish ceiling prices on foods and to prevent rent increases or reduce current rents wherever necessary.	**5.** Grade labeling defeated in Congress. Because of Congressional pressure OPA did not reduce current rents wherever necessary or prevent rent increases.
6. He authorized the Director of Economic Stabilization to use subsidies to encourage production to prevent price rises.	**6.** Because of Congressional pressure, Director of Economic Stabilization Byrnes uses subsidies only partially and permits price rises.

In the case of taxes the President in his 7-point program stated that "Profits must be taxed to the utmost consistent with continued production . . . Under the proposed tax law we seek to take by taxation all undue or excess profits." However, the tax bills as passed by Congress can best be characterized by the phrase President Roosevelt used in vetoing the 1944 tax bill, "Relief not for the needy but the greedy."

"RELIEF FOR THE GREEDY"

What President Asked	*What Congress Did*
1. The President asks for a curb on exorbitant profits.	**1.** As a result of tax laws enacted by Congress: Corporations in 1943 had estimated net profits after taxes of 9,150 million dollars and for 1944, 9,990 million dollars. Compare it to profits in time of peace of 3,324 million dollars.
2. President calls for joint tax returns to prevent married couples in the high income brackets from splitting their incomes and thus cutting their taxes.	**2.** Congress ignores Presidential request.
3. President calls for taxation of tax-exempt government securities because many persons enjoyed high income free from taxes.	**3.** Congress ignores Presidential request.
4. President calls for curb on high incomes by taxation.	**4.** Under the pretext of pay as you go, Congress passes the Ruml plan which forgives individuals 75% of the tax they owed the government in 1942. This was a windfall for the wealthy. Approximately seven billion dollars in taxes forgiven.

"RELIEF NOT FOR THE NEEDY"

As a result of the failure of Congress to tax profits and high incomes additional taxes have been imposed on the wage earners to meet the financial burden of the war program.

In 1944 the average electrical worker making $50 a week must pay $133 of Federal Taxes and $55.33 for Victory tax making a total of $188.33.

In 1941 the same electrical worker paid less than $30 in taxes.

In 1944, a married person with two dependents would pay before deductions*:

On an income of $1,500, — $29.19 under the old law but $31.28 under the new law.

On an income of $2,500, — $171.69 under the old law but $190.99 under the new law.

But in the higher income groups, a person pays:

On an income of $60,000, — $38,188.63 under the old law but $38,051.78 under the new law.

On an income of $100,000, — $75,738.24 under the old law but $74,812.49 under the new law.

D. *Wages Are Frozen*

The National War Labor Board in the Little Steel case of July 1942 undertook to carry out the President's program as it concerned wages. The Board reasoned that since the cost of living had risen 15 percent between January 1941 and May 1942 wage rates should be increased 15 percent where such increase had not already taken place to restore the purchasing power of the hourly wage rates as of January 1941.

Chairman Davis of the Board recognized that maximum production for the war effort would result from restoring the January 1941 purchasing power of the workers. "Not to protect those standards would justly give rise to a sense of insecurity and frustration among the workers who remain at home; and it is only fair to the workers who are drawn into the fighting services that their standards should be protected while they are away." He stated that "the Board acts on the assumption that prices and living costs will now be stabilized under the President's 7-point program."

Board Member George Taylor emphasized the relation of wages to general stabilization. He said:

"No action taken as respects wages alone can meet the problem.

"It is believed that established peacetime labor standards should be reasonably maintained as a part of the process of ending the rise between wages and prices."

"For with labor meeting its obligations, it has the right to insist that vigorous steps be taken to effectuate every point of the 7-point program."

The Little Steel formula laid the basis for wage stabilization.

*Includes one-half of the forgiveness tax payable on March 15th, 1945.

Adheres to formula

The National War Labor Board adhered to the Little Steel formula despite continued increases in the cost of living as a result of the failure to effect economic stabilization. On February 8, 1943 in denying the employees of the four large meat packing companies a wage increase the Board stated:

"As a war agency proceeding under the Act of Congress and the Executive Order of the President, the National War Labor Board is duly bound to stabilize wages at September 15, 1942 levels. *The National War Labor Board faces its responsibilities with the assurance of the Director of Economic Stabilization that such a stabilization of wages will be accompanied by a stabilization of prices.*"

The "Hold-the-Line" order issued by the President in April 1943 recognized the fact that the Price Control Law had been ineffective. The President admitted that "some prices affecting the cost of living are already above the levels of September 15, 1942." He directed the Price Administrator and the Administrator of Food Production to do what they should have done as a result of the Oct. 1942 Price Control Act: "To place ceiling prices on all commodities affecting the cost of living," and "to use all discretionary power vested in them by law to prevent further increases, direct or indirect, to prevent profiteering and to reduce prices which are excessively high, unfair or inequitable."

Roll-Back fails

The "Hold-the-Line" order of the President also undertook to roll back prices to the level of September 1942 by the use of subsidies. This was a commitment made to wage earners who had accepted wage controls while other parts of the economic program were ineffective. The organized labor movement supported fully the rollback of prices.

The War Labor Board reaffirmed its wage stabilization policy but on the basis that "prices and profits also should be checked" and called "for the effective rolling back of prices, by Congressional action if necessary, and for the imposition of heavier taxes to check inflationary incomes and profits."

The Price Administrator also pledged that "we propose to restore the balance between wages and the cost of living by bringing the cost of living back into line with wages, back toward the level of September 15."

In response to this the inflation bloc in Congress once again stifled price control. Its pressure on the Price Administrator prevented anything but a limited rollback program. Even this limited rollback program was defeated by Congress and only a veto by the President saved it. *Today, the OPA concedes that regardless of what may be done by Congress by way of appropriations for subsidies there cannot be any*

effective rollback of prices to the level of September 15, 1942.

That wage earners have borne the full burden of inflation was clearly expressed by the Chairman of the National War Labor Board. In his report of November 5, 1943 to the Vice President of the United States he stated:

"As the months flow by and the Board continues to hold wages at the general level of September 15, 1942, we become increasingly conscious of the fact that we are asking one segment of our society to do its part to protect all Americans from the ravages of inflation while, at the same time, a similar obligation has not been placed as heavily upon the shoulders of some of the other segments of this society."

This disparity between frozen wages and increasing living costs is currently being widened as a result of the so-called Price Control Act of 1944. This Act has already led to increases in clothing prices of 150 million dollars. Furthermore, by weakening the power of OPA to enforce ceiling prices and by granting the OPA some leeway to relax rent ceilings the result can be only a marked and continuing increase in prices and rents.

The purpose of Congress in passing such a measure is summed up by Philip Murray as follows: "The enactment of such a law will be relied upon to justify the continued throttle-hold of the War Labor Board's present policies upon the workers of the Nation. But the workers themselves will not be misled. Floating prices and frozen wages cannot long endure side by side under a democratic form of government."

Section III

INFLATIONARY PRESSURES ON THE COST OF LIVING HAVE RESULTED FROM CORPORATE PROFITEERING

In their Brief to the War Labor Board the United Steelworkers state "that the direct cause for the present inflationary rise in prices and cost of living has been the greed and profiteering of corporations."

"It was to be anticipated that through vastly increased production, unit costs would decrease and tremendous profits would be accumulated. For this reason the President, as has been indicated in an earlier portion of this Brief, directed the OPA and other government agencies to refuse price increases and reduce prices where necessary to prevent extortionate profits. This directive has not been carried out."

The result has been that industrial profits, before taxes, have reached heights never before attained by American industry. While total dividend payments have been steadily maintained, business reserves have increased to fantastic sums.

On the basis of the peacetime era 1936-39, inclusive, the estimated net profits of corporations before taxes in 1943 were 406% of the peacetime annual average. In other words, for the peacetime era the annual average net profits of corporations before taxes were 4,464 million dollars and in 1943 the rich harvest of 22,600 million dollars was accumulated. For 1944 it is estimated that corporations will enjoy net profits, before taxes, of 24,500 million dollars, or 448% of the peacetime annual average.

A table of corporate income, income taxes and dividends for 1936-44 is attached as Exhibit 1. The following is a summary of that exhibit:

CORPORATE PROFITS*

Average Year	Percentage Increase Over 1936-39 Average in Years 1940 Through 1944	
	Profits Before Taxes	Profits After Taxes
1936-39	$4,464,000,000	$3,324,000,000
	Percentage Increase Over 1936-39 Average	
1940	64%	44%
1941	223%	119%
1942	352%	154%
1943	406%	175%
1944	449%	198%

The authority in the Executive Branch to renegotiate war contracts has not resulted in any substantial decrease in these net profits. Under Secretary of War Patterson testified before the House Ways and Means Committee that the net recovery through renegotiation of war contracts for the period April 28, 1942 to August 31, 1943 was 1,400 million dollars. The estimated total net profits before taxes for 1942 and 1943 were 42,800 million dollars.

Records of food corporations reveal the relationship between profiteering and inflationary trends. Companies involved are those very companies engaged in the production and distribution of the very items that must be included in every workers' budget. Profits of the food corporations during the war period, both before and after taxes, have skyrocketed.

Profits during the war period of firms that handle foods—wholesale food grocers, meat packers, fruit and vegetable canners and others, have been greater than for corporations as a whole, and have preceded and given major encouragement to the rise in retail food prices and in turn in the cost of living.

*From the Brief submitted by the United Steelworkers of America to the National War Labor Board (Case No. 111-6230-D14-1), p. 24.

Food Profiteering

A summary of information contained in official reports of the Division of Research, Price Analysis and Review Branch of the Office of Price Administration reveals the following:

"Wholesale food grocers realized twice as much on every dollar of sales in 1942 as in 1939. Sales were up 43%, but profits before income taxes rose over 200%. Between 1939 and 1942, seven out of every ten wholesalers more than doubled their profits before taxes and four of these seven reported at least a 200% rise. For about three out of ten, the increase over 1939 was at least 300% and for half of these, profits rose 500% or more.

"Profits before income taxes of fruit and vegetable canners were five times as great in 1942 as in the years 1936-1939, on less than twice the pre-war volume of sales. Their increase in profits exceeded that of any other group and of all non-durable goods industries except textiles. The widening profit margin, supplemented by expanded sales per dollar of net worth, raised the combined return on equity investment, before taxes, from about 6% in the base period to over 25% in 1942.

"Contrasted with average earnings in the years 1936-1939, profits before income taxes have risen more for meat packers than for most other food groups. Aggregate profits in 1942 of 52 companies were over four times the pre-war level on only 83% higher sales."

This industrial profiteering rather than "high wages" has resulted in inflationary increases in the cost of living.

Section IV

THE COST OF LIVING HAS RISEN BY AT LEAST 45.3 PERCENT FROM JANUARY 1941 TO MARCH 1944

The Little Steel formula, created by the National War Labor Board, set a ceiling on general wage adjustments at 15% above January, 1941 wage levels to meet the increase in the cost of living between January, 1941 and May, 1942.

However, the understanding was that the cost of living would remain at the 1942 level. But as we have seen the cost of living increased rapidly. A substantial part of this increase is omitted in the cost of living figures of the United States Bureau of Labor Statistics. Despite important omissions in BLS figures the National War Labor Board offers BLS statistics as proof that the increase in the cost of living does not warrant an increase in wages.

More than two years ago the UE criticized the deficiencies of the

Bureau of Labor Statistics (BLS) figures in its book, *The High Cost of Living and How to Fight It* (1942) on the ground that it:

1. Does not cover special wartime costs
2. Does not measure deterioration in quality
3. Does not measure rents adequately
4. Really measures retail prices and not the cost of living

As the war progressed the failure of the BLS index to measure special wartime costs became more evident and unions became increasingly critical. This resulted in the creation by the President of a Cost of Living Committee, comprised of William H. Davis, Chairman of the War Labor Board, and two labor and two industry representatives. The labor representatives made an intensive investigation of the facts relating to the cost of living. A report of their findings was submitted in January 1944 to the other members of the President's Cost of Living Committee.

Since that report was issued President Murray and R. J. Thomas of the CIO made an additional study of the Cost of Living of wage earners and lower salaried income groups. This study reviews the findings of the earlier CIO-AFL Report, answers criticisms of that report made by the BLS and presents a large body of new material. Its conclusions covering the period January 1941 to March 1944 fully support those in the earlier report, and reveal *that the cost of living had increased* 45.3 *percent.*

This report, called *Living Costs in World War II,* 1941-1944 points out that "the Bureau of Labor Statistics attempts to measure the cost of living by pricing periodically a fixed sample of items in the worker's prewar budget. Such a method may be good enough for peacetime, but completely breaks down in wartime . . ."

BLS Admits Deficiencies

It was only as a result of these disclosures of the deficiencies in the BLS index that the BLS admitted that its index was vulnerable. In June of 1944 the BLS admitted:

"The BLS index indicates average changes in retail prices of selected goods, rents and services bought by families of wage earners and lower-salaried workers in large cities. The items covered represented 70 percent of the expenditures of families who had incomes ranging from $1250 to $2000 in 1934-36.

"The Index does not show the full wartime effect on the cost of living of such factors as lowered quality, disappearance of low-priced goods and forced changes in housing and eating away from home.

"It does not measure changes in *total* "living costs"—that is, *in the total amount families spend for living.*

"Income taxes and bond subscriptions are not included."

In the following table the CIO report compares its findings with that of the BLS.

Percentage Rise in Wartime Living Costs, Jan. 1941 - Mar. 1944
Findings of the CIO and the BLS Index.

Commodity Group	Percent of Increase CIO Study	BLS Index
Food	71.9	37.1
Clothing	76.8	35.7
Housefurnishings	63.5	28.9
Rent	15.0	3.0
Fuel, electricity and ice	14.8	9.0
Miscellaneous	22.8	16.9
All Commodities	45.3	22.8

Food Costs Rise

"Food costs, we find, have risen 71.9 percent. In terms of family expenditures, food is by far the most important item in the budget. A rise of 72 percent in a little more than three years represents, for a family that was getting an annual income of $1500 at the base period, an increased expenditure of more than $350 for this item alone.

"The biggest factor explaining the greater rise shown in this study than by the BLS Index, is the greater increase in the prices of imputed food than of foods priced for inclusion in the BLS Index. On this point, the CIO conducted a large-scale field survey in 18 cities, covering 151 food items for which BLS does not obtain prices."

The UE notes here that five of these cities have large Westinghouse or General Electric plants or both. The UE also conducted studies in three cities with large G.E. and Westinghouse plants. These findings demonstrate that while the foods the BLS priced rose 37.1 percent between January 1941 and March 1944, the food it didn't price—also important in the wartime worker's budget—rose:

62% in Erie, Pa. with 10,000 General Electric Workers.

100% in Bloomfield, N. J. with 3,100 General Electric and 6,000 Westinghouse workers.

81% in Springfield, Mass. with 5,000 Westinghouse workers.

42.7% in Syracuse, N. Y. with 5,000 General Electric workers.

58.3% in Mansfield, Ohio with 5,000 Westinghouse workers.

42.8% in Canton, Ohio with 2,500 Westinghouse workers.

56.1% in Cleveland, Ohio with 6,000 General Electric, and 500 Westinghouse workers.

Quality Deterioration

"Other wartime factors, inadequately reflected in the BLS figures, include quality deterioration and up-grading, forced trading-up, the disappearance of week-end and special sales, and sales at above-ceiling prices.

"The greatest increase, in percentage terms, has been in clothing, where we find that costs have risen by 76.8 percent, or considerably more than double the BLS figure of 35.7 percent. Quality deterioration and trading-up are the chief reasons for the greater rise reflected in our conclusion. As part of trading-up, the disappearance of low-end items has been a phenomenon of serious proportions particularly for lower-paid workers. Unable to buy the cheaper articles customarily purchased, workers have had to move up to higher price lines.

"This has not meant, however, that they have obtained better quality merchandise. To check on this point, as well as to obtain independent data on the rise in clothing prices, the CIO conducted a field survey in 14 cities. The survey showed that, in the great majority of instances, the most popular seller of a given sort, had not only risen rapidly in price, but had *deteriorated in quality.*

"The situation in the case of housefurnishings was found to be essentially similar. Quality deterioration and the disappearance of low-end items in this field have been accentuated by wartime scarcities of materials, particularly metal. We find an increase in the cost of housefurnishings of 63.5 percent, compared to the 28.9 percent shown by BLS.

Wartime Rents

"Rent increases, though small compared to those for food, clothing and housefurnishings, have nevertheless been substantial, particularly for war workers. We find a wartime rental rise of 15 percent, while BLS shows only 3 percent. The labor movement is by no means unaware of the fine job done by OPA in controlling rents—within the limitations of its authority and of its appropriations—but we do not believe that any good end is served by failure to recognize that rental increases have been considerably greater than the official (BLS) figures show.

"Again, the difference is attributable in large measure to wartime factors which the BLS does not take into account. The BLS Index does not reflect the sharp rises in rates in rooming and boarding houses,

trailer camps, and light housekeeping apartments—makeshift housing arrangements forced upon many war-workers by the prevalent overcrowding in war production centers; it does not catch many types of OPA ceiling violations; and it does not measure quality deterioration in housing. In addition, there are several important defects in the sampling procedure employed by BLS which result in a considerable understatement in their measurement of increases in housing costs."

This inadequacy in the BLS Index particularly affects Westinghouse and General Electric workers who work in plants in smaller-size cities which have been particularly hit by the impact of the war. For some of the cities the BLS registers some rent increases but does not begin to tell the whole story. In Schenectady, New York, Springfield, Mass, and Erie, Pa., the BLS Index shows the rents of these cities to be way above the national rent average. But the greatest increases in rent costs in these cities due to the special wartime factors enumerated above, are ignored completely by the B.L.S.

The CIO report critically comments on other deficiencies in the BLS cost of living index:

"With regard to other components of the cost of living, we present a thorough analysis of wartime increases in the costs of medical care, and we review available material relating to the prices of used automobiles, household moving expenses and laundry service.

"Throughout the whole gamut of commodities and services we find that the BLS Index understates the actual wartime rise. The BLS admits that it does not fully reflect many of the factors discussed in the CIO-AFL Report and elaborated upon in the present study. The dispute essentially concerns the next step: What shall be done about the understatement?

Index Must Be Replaced

"The answer of the labor movement is that the Index must be replaced, for policy making purposes, by a more nearly correct and realistic measure. We believe that this study has demonstrated that wartime living costs *can* be measured, even though some aspects of the measurement problem present technical difficulties. The BLS has been aware for some time that its Index does not fully reflect the advance in wartime living costs, yet it has steadfastly refused to broaden its basic concepts, strike out into unexplored fields, and make the necessary changes in its procedures. Instead, it has introduced a variety of patchwork changes which have had the effect mainly, of demonstrating that more radical changes are necessary."

It is significant that the War Labor Board persists in using the BLS Index in its administration of wage stabilization. Other government agencies, however, apparently realizing the deficiencies of the BLS

Index use other source material. The CIO report indicates that:

"The War Food Administration, in setting farm prices, uses the Department of Agriculture's index of farmers' cost living. This index shows an increase of 45 percent between January 1941 and March 1944, about the same as that shown in this study. The War Food Administration uses this index with the knowledge and support of Congress.

"The War Production Board, in its work dealing with civilian supply and rationing, disregards the BLS Index, and makes its own higher estimate of price increases.

"The Social Security Board, in its evaluation of economic conditions, also disregards the BLS Index, and emphasizes the importance of increases not covered by the agency's data.

"In appraisals of living costs for business readers, the Wall Street Journal, Business Week, and most other trade journals have often repudiated the BLS Index and indicated their belief that there have been larger increases in the particular fields.

"Very recently, a Senate Committee (the Subcommittee on Wartime Health and Education of the Education and Labor Committee), in a report on White Collar Workers, has pointed out the weaknesses of the BLS Index and the 'unsoundness and inequity' of its use for making wage adjustments:

> 'In judging the validity of the Bureau of Labor Statistics index, it should be borne in mind that it is, in the words of its own apologists, 'a price barometer, not a measure of changes in the total amount spent for family living.' It purports to measure only changes in retail prices of certain commodities and services purchased by families of moderate income in a selected group of larger cities. In a wartime economy there are, however, many pertinent factors which cannot be satisfactorily measured by such a price barometer. Among these are deterioration in quality of goods, disappearance from the market of cheaper grades of goods, new types of expenditures incurred by the workers who migrate to war jobs, black market operations which are hidden from view and differences between prices in various types of communities and geographic regions.' "

Mitchell Committee

A special committee of outstanding economists appointed by William H. Davis, Chairman of the War Labor Board and of the President's Committee on the Cost of Living confirmed many of the claims of the CIO-AFL that the BLS cost of living figures are inadequate.

The Report of this committee, headed by Dr. Wesley C. Mitchell, dealt mainly with the shortcomings of the Bureau of Labor Statistics

index as a measurement of retail prices. The Committee pointed out (as did the CIO-AFL) that the term "cost of living index" used by the BLS did not measure the cost of living as understood by most people and should instead be called a "price index" since it was an index of average changes in retail prices. The Committee further pointed out that the BLS index does not deal with the wartime expenses of average families which "unquestionably add to the amount of money some people spend."

The Mitchell Committee also substantiated the CIO-AFL claim that the BLS index related only to families living in cities of considerable size by stating that the BLS index is "misused when it is applied to individuals or to small-town and rural families, or to families on the verge of poverty . . ." The CIO-AFL had pointed to the fact that "Retail price changes in these (the largest) cities are not typical of price changes in all urban areas because the congestion resulting from wartime military and industrial activity has been most serious in smaller cities. In such areas, heavy immigration has produced such pressure on limited housing, stores and other facilities that prices have been driven up faster than in the more stable metropolitan areas."

As far as retail prices are concerned the Mitchell Committee came to the conclusion that quality deterioration and other factors had resulted in increases of from three to five percent not measured by the BLS index.

The conclusions of the Mitchell Committee support the statement of the CIO to the effect that "the United States Government does not have a measurement of the total rise in living costs, since the BLS index measures only the price factor. Hence the only measurement of the total living costs is that provided by the CIO in its report *Living Costs in World War II.*"

A summary of that report and the earlier CIO-AFL report is presented as Exhibit 2.

Section V

WAGE RATES, EARNINGS, AND LIVING STANDARDS OF THE GENERAL ELECTRIC AND WESTINGHOUSE WORKER

A. The Companies' Wage Rates Have Been Frozen

For more than two years workers in General Electric and Westinghouse have received no general wage increase. Effective April 7, 1941 for General Electric and April 8, 1941 for Westinghouse, a ten cent an hour increase was gained for General Electric and Westinghouse workers through collective bargaining between UE and both companies. Effective April 8th, 1942 for General Electric and effective May 31, 1942 for Westinghouse,* workers received an additional increase of 5½¢ an hour, making all in all a 15 percent increase since January 1, 1941.

The UE members in General Electric and Westinghouse are proud of their record in war production, a record achieved by working longer hours at an extremely high pace. As a result of extra production and longer working hours their average hourly earnings have risen more than 15 percent since January 1, 1941.

It has been argued that the total increase in earnings and not merely the increase in the basic wage rate should be considered in determining the percent increase in wages.

In answer to such claims the National War Labor Board has ruled that under the Little Steel formula only the basic wage rate be considered in determining the increase in wages since 1941.

"The formula eliminates from the computation the increases in average hourly earnings resulting from overtime or through the operation of incentive or bonus systems or those increases given to less than 10% of the employees in the appropriate unit for the elimination of inequalities, upgrading, individual reclassification, or merit increases. All attempts to inject increased earnings resulting from any of these factors have been consistently rejected by the National War Labor Board."

Certain facts in regard to these conclusions are important from the point of view of electrical workers. The Little Steel decision seeks to maintain the peacetime standard of wage earners as of January 1, 1941. When working longer hours, wage earners naturally exert greater

*The net increase for Westinghouse employees was actually much less. The Company had been paying its employees "adjusted compensation" based on a profit-sharing plan. This "adjusted compensation" averaged 8 percent of the base wage or salary of each employee in January 1941. This profit-sharing plan was discontinued in 1942.

effort which requires an increase in expenditures. Examples of these are many, including such items as additional work clothes and food. Working longer hours involves greater exposure to hazards and accidents and makes workers more susceptible to possibility of illness.

This analysis is also true for increased earnings resulting from incentive or bonus payments for increased production. In addition, as Chairman Davis of the War Labor Board stated in a letter to Senator Robert F. Wagner on December 15, 1943:

" . . . The purpose of Congress was, wisely, to stabilize the price of labor, not total earnings. The Congress knew that to freeze the earnings of labor would have been to freeze production instead of letting it rise to the highest level in our history."

When individual wage earners have their rates increased in order to eliminate inequalities or because they are upgraded or have their jobs reclassified or due to merit increases, they are merely being awarded a rate consistent with the type of work that they are being called upon to perform. An increase of earnings resulting from any one of these items is restricted to individual employees and does not reflect a general wage increase. For the increased contribution of the worker, the employer receives increased production.

Increased earnings obtained through such factors certainly could not — and the Board properly rejected the suggestion — be included in any computation to determine whether the wage earners in an appropriate group had received a sufficient general increase to meet the rise in the cost of living in accordance with the Little Steel formula.

B. Spendable Earnings of Workers Have Declined

Moreover, spendable earnings after deducting various taxes and bond purchases are not enough to maintain the January 1941 living standard of a worker supporting his wife and two children. Our figures are based on a study by the United States Bureau of Labor Statistics.* Since that article used the inadequate Bureau of Labor Statistics cost of living study to estimate the weekly wage needed to maintain the January 1941 standard of living, the figures are adjusted in line with the CIO-AFL Index.

The following table shows the spendable weekly wage necessary in October 1943 (the year used in the BLS study) to maintain a family's living standard as of January 1941 after allowing for the increased cost of living:

*"Spendable Earnings of Factory Workers" which appeared in the March 1944 issue of the *Monthly Labor Review.*

Worker Supporting a Wife and Two Children

Industry	*Weekly earnings required to maintain living level of Jan. 1941*	*Net spendable weekly earnings October 1943**	*Deficit in weekly spendable earnings*
Manufacturing			
Durable goods	$43.31	$42.68	—$0.63
Nondurable goods	32.36	30.66	—1.70
Electrical equipment	47.14	40.88	—6.26

*Bond purchases and taxes are deducted.

Thus the average worker and his family in the durable goods industries had $0.63 less a week in real wages to live on in October 1943 than he did in January 1941; the average worker in the nondurable goods industries had to live on $1.70 a week less; and the worker and his family in the electrical equipment industry would need an additional $6.26 in October 1943 to maintain their January 1941 living standard.

A single worker with no dependents was even worse off relatively than the worker with a family, for his taxes increased far more rapidly as can be seen from the following table:

Single Worker with No Dependents

Industry	*Weekly earnings required to maintain level of January 1941*	*Net spendable weekly earnings October 1943**	*Deficit in weekly spendable earnings*
Manufacturing			
Durable goods	$43.31	37.25	—$6.06
Nondurable goods	32.36	26.15	—6.21
Electrical Equipment	47.14	35.40	—11.74

*Bond purchases and taxes are deducted.

In manufacturing industry the single worker with no dependents had about $6.00 a week less in real wages in October 1943 than he had in January 1941. The single worker in the electrical equipment industry suffered a loss of about $12.00 a week.

The UE made a similar study to determine how much the General Electric and Westinghouse worker who supports a wife and two children should be making now to enable him to maintain the same living standard as in 1940. The results summarized in the tables below show the deterioration in the standards of the worker as compared to 1940.*

*Estimates of weekly wages are derived from the *Annual Reports* of the two companies.

EARNINGS IN 1940 AND 1943

	General Electric Employee	*Westinghouse Employee*
Weekly Earnings before Deductions, 1943	$53.00	$57.65
Weekly Deductions:		
Social Security tax (1%)*	.53	.58
Mutual Benefit Assn., Life Insurance etc. (1%)*	.53	.58
War Bond Purchases	5.30	5.77
Income and Victory tax	3.37	4.30
Total Weekly Deductions, 1943	$ 9.73	$11.23
Spendable Weekly Earnings in 1943	$43.27	$46.42
Spendable Weekly Earnings Required in 1943 to maintain 1940 level of living	$54.37	$56.30
Deficit in Spendable Weekly Earnings, 1943	—$11.10	—$ 9.88

*Also deducted from 1940 spendable earnings.

This table shows that the Westinghouse employee in 1943 was living at $9.88 below his 1940 standard of living, and the General Electric employee at $11.10 below his 1940 standard of living.

This is a far cry from those who spread alarms about excess purchasing power. The burdens of the war have been borne by the General Electric and Westinghouse workers by working harder, by working longer hours and in the form of a reduced scale of living.

C. *The General Electric and Westinghouse Worker— His Income and Standard of Living*

The question, "How are working people managing?" is an important one at all times. But in time of war this question is especially crucial because the maintenance of the high level of output of the production soldier on the home front depends on the worker getting adequate food, clothing, and housing. Official government agencies have not studied this question during the war. It has devolved on the great Unions comprising the Congress of Industrial Organizations to make such studies.

Such a study of the income and expenditures of the typical electrical worker and his family was made by the UE for the three month period March to May, 1944. In the preparation of an unbiased sample,

the questionnaire, and the instructions to the field agents who did the interviewing, the UE used the methods worked out by the Steelworkers Union in collaboration with the United States Bureau of Labor Statistics.

The study, summarized below, reveals that the present earnings of "Mr. Electrical Worker" is not sufficient in the face of increased cost of living to maintain an adequate standard of living for the worker.

The average earned rate of electrical workers was approximately $1.12 an hour during the three month period March to May, 1944.

"Mr. Electrical Worker" makes no fantastic sums of money.

The expenditure of "Mr. Electrical Worker" who is the chief support of three dependents is equally an answer to those who think that the war worker lives in luxury.

The average expenditure for food during the three month period, March to May 1944 was $255.84. This represented 37 percent of the family budget exclusive of savings and taxes.

Weekly expenditures for food amounted to $19.68 per family. This amounts to about 63¢ per person per day, or about 21¢ per meal.

Can it be said that "Mr. Electrical Worker" lives luxuriously on twenty-one cents a meal?

Housing, household operation, and household equipment consumed 25 percent of the money for current expenses. These families living in war centers where rents have increased rapidly spent $28.52 monthly for housing.

Seventeen-and-one-half percent of the families do not have inside bathing facilities and eleven-and-one-half percent do not have running water inside their homes.

It cannot be said that "Mr. Electrical Worker" is adequately housed.

Fuel, light and ice, telephone, and other household operations cost $13.71 per month; and maintenance and purchase of new household equipment cost $15.39 per month.

As far as clothing is concerned "Mr. Electrical Worker" limits himself to absolute necessities. Special work clothes, safety shoes, and work gloves are an important part of this clothing expenditure.

The clothing of housewives and children has increased in price and deteriorated in value.

An average of $12.91 a month per family is spent for medical care, dental care, and medical supplies. The amount spent is limited by the

resources of the familes interviewed, for 31 percent of the families interviewed were postponing needed medical care because of lack of money.

This lack of adequate medical care intereferes with the efficiency of "Mr. Electrical Worker" on the production line.

Other miscellaneous expenses bulked large: $53.95 had to be spent for taxes in the three month period; $28.73 was spent for various types of insurance.

Has "Mr. Electrical Worker" been able to provide for his future out of his earnings? While his weekly income including other family earnings in the three month period was $56.27 he had to spend $65.29 to meet the rising cost of living and other wartime costs. Included in expenditures were war bond purchases of $4.48 a week, a 60¢ payment on previous debt and other savings of 66¢ or a total of $5.74. To meet the excess of expenditures over income the family had to redeem bonds amounting to $1.25 a week, spend previous savings of $3.67 a week, borrow money at the rate of $1.57 a week, increase indebtedness in stores $1.28 a week, leaving a small balancing difference.* As a result "Mr. Electrical Worker" and his family are going into the red at the rate of $2.03 a week. See Table on page 36.

In other words despite increased earnings due to incentives and night bonus and longer hours the electrical worker is in the red at the end of the week.

As cutbacks become serious the worker may find his hours cut to 40. Without any overtime or night premiums he will be making only $44.80 a week. But prices will be kept at previous levels.

The electrical worker will find it impossible to manage on his present wage rate should the 40 hour week be put into operation.

This study demonstrates that the present plane of living of the electrical worker is not sufficient to maintain the productive efficiency and morale of the electrical worker.

Section VI

LABOR DURING THE WAR HAS BEEN RECEIVING LESS OF NATIONAL INCOME

The failure to achieve economic stabilization while wages were frozen has meant that labor is receiving a smaller part of the national income than it did before the war. Thus a major objective of economic

*In family expenditure studies a balancing difference is required, because families cannot remember all of their expenditures. In this study the balancing difference was $1.25 a week, or less than two percent.

Summary of Income and Expenditures of the Electrical Worker
(Weekly Average—March to May, 1944)

Average Weekly Family Income		*Average Weekly Family Expenditures, Taxes, and Savings*	
Family Earnings:		**Expenditures:**	
Electrical worker's wages	$55.75	Food	$19.68
Other family earnings	.52	Clothing	8.99
		Housing	6.58
		House operation	3.17
		Household equipment	3.55
		Transportation	1.28
		Medical expense	2.97
		Tobacco and Alcohol	1.86
		Recreation	1.75
		Contributions	1.12
		Care of person	1.70
		Miscellaneous	.53
		Taxes	4.15
		Insurance	2.21
Total earnings	$56.27	Total expenditures	$59.55
Debt:		**Savings:**	
Bonds redeemed	$1.25	Bonds purchased	$4.48
Previous savings spent	3.67	Other savings	.66
Money borrowed	1.57	Payment on previous debt	.60
Amount owed stores	1.28		
Total debt	7.77	Total savings	5.74
Balancing difference*	1.25		
Total income	$65.29	Total outgo	$65.29

*This "balancing difference" results from the fact that families questioned cannot remember all of their expenditures to the last cent.

stabilization—the maintenance for the principal groups in the country of the same share in the national income as in time of peace—has been defeated. The figures show this strikingly: See Exhibit 3 for a complete description of the distribution of national income.

Between 1939 and 1943 national income including federal corporate taxes rose 132%

Between 1939 and 1943 corporate profits before taxes rose 302%

Between 1939 and 1943 farmer's income before taxes rose 179%

BUT

Between 1939 and 1943 the civilian worker's income before taxes rose only 109%

As a result of these unequal increases in the income of the major groups; labor's share of the national income has decreased markedly:

	Percentage of National Income	
Group	*1939*	*1943 (at the rate of) the last quarter)*
Corporations	8.0%	13.0%
Farmers	5.9%	7.1%
Labor	65.7%	59.3%

It is clear that economic stabilization should not result in the deterioration of the position of labor while the position of other groups is improved.

Section VII

THE UE WAGE DEMANDS ARE NOT INFLATIONARY

The demand for general wage increases is attacked on two incorrect grounds:

First, it is claimed that wage increases would call for increases in the prices of electrical equipment. Secondly, it is claimed that such a wage increase are not in the national interest because of their inflationary effect on purchasing power.

The actual facts contradict the first assertion.

In the first place, most inflationary increases in prices took place by the middle of 1942 *before* workers received increases in wages under the Little Steel formula. This was due to the super-profits Business received because they demanded that they be "paid properly" before agreeing to accept government contracts.

Wage increases which come out of excessive profits should not result in raising the prices of electrical equipment. For the peacetime period 1936-1939, General Electric earned on the average $54,536,000 a year before taxes; and Westinghouse earned on the average $17,956,000 a year before taxes.

For the wartime period of 1940-1943 General Electric averaged $213,710,000 a year before taxes and Westinghouse averaged $70,059,000 a year before taxes. The increase in profits is much more than the sum the Union's wage adjustment would cost General Electric and Westinghouse and need not increase the price of electrical equipment.*

Secondly, the wage increases that were granted did not cause higher prices because increased production as a result of labor management committees and as a result of operation at full capacity caused lowered labor costs per unit of production.

Lower Production Costs

This was confirmed by former Price Administrator Leon Henderson who testified before the House Banking Committee in August 1941: "It is out of that increase in production that most of the (1941) wage increases have come. The last couple of months have been golden months as far as unit labor costs are concerned."

This was confirmed by Commissioner of Labor Statistics Lubin who told the House Banking Committee in October 1941 that "price increases made since August 1939 were enough to cover very substantial wage increases in the future as well as those already made."

The increased productivity of General Electric and Westinghouse employees offers an additional guarantee against price increases. Despite the 15 percent wage adjustment that was given General Electric and Westinghouse workers in 1941 and 1942, the labor cost per General Electric sales dollar was 35c or five cents below the 1936-39 peacetime average of 40c and for Westinghouse the labor cost per sales dollar was 44c or three cents below the 1936-39 peacetime average of 47c.**

The "Inflationary Gap"

It is also claimed that the wage increase itself will act—even in the absence of a rise in the price of electrical equipment—as an inflationary influence on the war economy. This is the so-called inflationary gap theory.

The inflationary gap theory argues that since the supply of goods

*See Section 8 for a complete analysis of General Electric and Westinghouse financial position.

**See Section 9 for a complete analysis of increased productivity.

available for consumption is limited and that since there is an excess of consumer's purchasing power over and above this supply of consumer's goods, an inflationary gap is created. Any wage increase will therefore increase this inflationary gap and cause additional inflationary pressure.

Significantly, not one of these scares has actually materialized. Mr. Randolph Burgess, vice-chairman of the National City Bank, has shown up the essential flaw in the reasoning of the inflationary gap-ists. He said: "Inflation is not a direct product of excess money; it is a product of human behavior. Money does not become wild by itself. It could be dangerous only when used wildly by the people who have it; and the significant thing that is happening now is that with some conspicuous exceptions, the financial behavior of the great bulk of our people has thus far been characterized by common sense." (Economic Outlook, CIO, November 1943.)

The prediction of the inflationary gap theorists were wrong in both 1942 and 1943 because they underestimated the amount of consumer's goods and services available for consumption and because they underestimated the increase in wartime savings (mostly held by corporations and by wealthy individuals).

These theorists estimated that consumer's consumption would have to fall to the level of the worst depression year 1932 if inflation was to be avoided. Yet consumers' spendings for goods and services increased from 74.6 billion dollars in 1941 to 90.5 billion dollars in 1943.

Excess purchasing power did not go galloping around the country provoking an inflation stampede. Instead people were supporting the war effort, reducing their debts, and the like. The net savings of individuals (again mostly wealthy individuals) was 13.7 billion dollars in 1941 and 33.6 billion dollars in 1943.

An estimate of what happened to the 1943 disposable income of individuals after payment of taxes showed that after payment for goods and services, and after savings and debt payments that there was available only 1.4 billion dollars of possible inflationary money.* And the theorists had been trying to frighten us with estimates of 40 billion and 60 billion dollars.

Workers Purchasing Power

Nor is there any excess of purchasing power among workers which would have an adverse affect on prices.

Sixty-one and eight-tenths of all the families in America (20.6 million families) have incomes under $2,500.

Thus, six out of every 10 families receive less than $3 out of every

*Adapted by the U.S.A.—C.I.O. from figures of William W. Craig, in the January 1944 issue of *The Exchange* published by the N. Y. Stock Exchange.

$10 of the national family income, and spend less than $4 out of every $10 spent by consumers.

These families received in 1942, 29.7% of the aggregate income of all families and bought 38.8% of the country's consumer goods and services.

The same conclusion is emphasized by the study of spendable earnings discussed earlier. Because of increased taxes, the increase in the cost of living and bond deductions families were relatively worse off in 1943 than in 1940. The General Electric family of two adults and two children had a standard of living in 1943 more than $11.00 below its 1940 standard of living; the Westinghouse family was $9.88 worse off.

Our war experiences have shown that consumer income alone does not bring on inflation. The inflationary price increases that have occurred to date were primarily due to the profiteering drive of business and industry. Price control, rationing and other governmental war controls would prevent the people from going on a spending spree even if they could.

Section VIII

THE COMPANIES' FINANCIAL STATUS

A. General Electric Co.

The profits of the General Electric Company in the war years 1940 to 1943 have increased tremendous. As a result its assets, undistributed profits, reserves, and resources have also increased.

In the peacetime years 1936-39 General Electric's average annual earnings were $54,536,000 before taxes; during the war years 1940-43 General Electric earned an average of $213,710,000 a year before taxes. This represented an increase of 292.9 percent.

The table summarized below shows the strong financial position of General Electric. Assets, undistributed profits, and reserves increased rapidly during the war.

Assets, Undistributed Profits and Reserves of General Electric, 1939 to 1943*

Item	*1939*	*1943*	*Dollar Increase 1943 over 1939*	*Percentage Increase 1943 over 1939*
Assets	$433,680,000	$712,021,000	$278,341,000	64.2%
Undistributed Profits	124,310,000	155,809,000	26,499,000	25.3%
Reserves	44,299,000	94,601,000	50,302,000	113.6%

*For complete details see exhibits 4 to 8.

The assets of General Electric have increased more than 60 percent during the war. Its undistributed profits have increased by more than 25 percent and its reserves have more than doubled.

At the end of 1943 the resources of General Electric stood at a quarter of a billion dollars and this represented a 48.5 percentage increase over 1939.

Resources Before Refundable Taxes

	1939	*1943*
Resources	$168,609,000	$250,410,000
Percentage increase 1943 over 1939	48.5%	
Dollar increase 1943 over 1939	$81,801,000	

This increase in resources makes no allowance for the increased allowances for depreciation, depletion and amortization made by General Electric during the war. General Electric has always followed a conservative policy of estimating its depreciation rates high. But in the years 1940-43 its depreciation charges were 67 percent above that of the years 1936 to 1939. The increase in this amount for the years 1940 to 1943 as compared to 1936 to 1939 was $42,000,000, and it is estimated that from a third to a half of this, or from $14,000,000 to $19,000,000 represents excessive charges and should be added to the sum available for resources in 1943.*

In addition General Electric enjoys certain guarantees as a result of the wartime revenue measures.

These guarantees would return $23,601,000 of previously paid taxes to General Electric if it made no profits at all in 1944. If its profits were $30,000,000 in 1944, still a sizeable amount, it would nonetheless get a refund in 1944 of $11,301,000 which would give it earnings almost equal to its 1943 total**.

A company such as General Electric, with resources conservatively estimated at a quarter of a billion dollars, which in 1943 earned more than a quarter of a billion dollars before taxes, with millions of dollars of Federal taxes refundable can meet the UE request for wage increases totalling less than 60 million dollars a year on the basis of a 40 hour week. See Exhibit 9 for estimates of the cost of the wage adjustment.

*From 1936 to 1940 assets were depreciated at the rate of about 6.6 percent per annum. In 1941-3 the depreciation rate jumped to an average 8.5 percent. Depreciating assets in 1941-3 at 1936-40 rates would give an excess of $19,000,000.

**For additional discussion see page 54.

General Electric may state that Federal taxes have reduced profits and that profits after taxes should be considered in determining General Electric's ability to pay the wage increase. The same problem was considered in the Little Steel case and the following was the Panel's conclusion:

"The companies, or some of them, have questioned whether earnings before taxes are a proper criterion of ability to pay, and base their claim of inability, or at least of unfairness, on the premise that earnings after profit taxes are a fairer and more practical guide.

"Profit taxes represent the Government's opinion of the extent to which the Government should share in the net profits of business after all other expenses, including labor costs, have been deducted. To propose that wages should be affected by profit taxes is to propose that labor's return should be conditioned by the Government's impost on industry. The panel believes that this neither can nor should be the case, and the panel's finding that the companies are able to pay is not affected by the results flowing from any change of policy, relating to profit taxes, on the part of the government."

B. Westinghouse Company

The profits of Westinghouse in the war years 1940 to 1943 have increase tremendously. As a result its assets, undistributed profits, reserves, and resources have also increased.

In the peacetime years 1936-39 Westinghouse's average annual earnings were $17,956,000 before taxes; during the war years 1940-43 Westinghouse earned an average of $70,059,000 a year before taxes. This was an increase of 290.2 percent.

The table summarized below shows the strong financial position of Westinghouse. Assets, undistributed profits, and reserves increased rapidly during the war.

Assets, Undistributed Profits, and Reserves of Westinghouse E&M, 1939-1943*

Item	*1939*	*1943*	*Dollar Increase 1943 over 1939*	*Percentage Increase 1943 over 1939*
Assets	$217,158,000	$470,192,000	$253,034,000	116.5%
Undistributed profits	39,379,000	67,791,000	28,412,000	72.2%
Reserves	10,382,000	38,180,000	27,798,000	267.8%

The assets of Westinghouse have more than doubled during the war and Westinghouse now has assets amounting to almost a half billion dollars. Its undistributed profits have increased by more than 72 percent and its reserves have more than doubled.

*For complete details see exhibits 4 to 8.

At the end of 1943 the resources of Westinghouse stood at $106,000,000 and this represented an 93.5% increase over 1939.

Resources Before Refundable Taxes

	1939	*1943*
Resources	$54,779,000	$105,971,000
Percentage increase 1943 over 1939		93.5%
Dollar increase 1943 over 1939		51,192,000

This increase in resources makes no allowance for the increased allowances for depreciation, depletion and amortization made by Westinghouse during the war. In the years 1940-43 its depreciation charges were 84.5 percent above that of the years 1936-1939. The increase in this amount for the years 1940 to 1943 over 1936 to 1939 was $16,166,000 of previously paid taxes to Westinghouse if it made no profits at all $5,000,000 to $11,000,000 represents excessive charges and should be added to the sum available on resources in 1943.*

In addition, Westinghouse enjoys certain guarantees as a result of the wartime revenue measures. These guarantees would return $10,438,000 of previously paid taxes to Westinghouse if it made no profits at all in 1944. If its profits were $10,000,000 in 1944, still a sizeable amount, it would nonetheless get a refund in 1944 of $6,338,000 which would give it earnings approaching its 1943 total.**

A company such as Westinghouse with resources conservatively estimated at more than $100,000,000 which in 1943 earned more than $68,823,000 before taxes, with millions of dollars of Federal taxes refundable can meet the UE request for wage increases totalling 37 million dollars a year on the basis of a 40 hour week. See Exhibit 9 for estimates of the cost of the wage adjustment.

Westinghouse may state that Federal taxes have reduced profits and that profits after taxes should be considered in determining Westinghouse's ability to pay the wage increase. The answer to that problem has been given in our discussion of General Electric.

*From 1936 to 1940 assets were depreciated at the rate of 3.7 percent per annum. In 1941-3 the depreciation rate jumped to an average of 5.3 percent. Depreciating assets in 1940-43 at 1936-39 rates would give an excess of $11,000,000.

**For additional discussion see page 54.

Section IX

INCREASED PRODUCTIVITY AND THE SALES DOLLAR

The UER & MWA is proud of the war production record of its members in General Electric and Westinghouse. The UE in General Electric and Westinghouse took the initiative in calling for labor management committees to help speed up production. UE shop stewards worked with the union men and women to smooth out any grievances that would delay production. The men and women of UE on the General Electric and Westinghouse production line patriotically gave their utmost in energy and imagination to help eliminate "bugs" in production.

General Electric and Westinghouse employees have been partially compensated for their increased production by the wage incentive systems. But the lowered costs of operation have far exceeded their incentive pay and have resulted in tremendously lowered labor costs per dollar of sales, as shown in the following table:

	Wage-Salary Cost Per Dollar of Sales (in cents)	
Year	*General Electric*	*Westinghouse*
1936	40	47
1937	42	50
1938	39	45
1939	39	46
Average 1936-39	40	47
1940	37	46
1941	38	46
1942	39	49
1943	35	44

In 1943, wage salary cost per dollar of sales for General Electric and Westinghouse dropped to a record low of 35c, 5c *below* the 1936-39 peacetime average of 40c. For Westinghouse, in 1943 wage salary cost per dollar of sales dropped to 44c or 3c below the 1936-39 peacetime average of 47c.

Despite all of the business-inspired clamor that wages are inflated, General Electric and Westinghouse employees are getting less of the sales dollar than ever before. Despite the hardships of working longer hours at increased speeds employees are getting less of the sales dollar than ever before.

One of the objectives of the economic stabilization program was to

maintain in time of war the relative economic peacetime positions of the major economic groups. By receiving less of the sales dollar the economic position of General Electric and Westinghouse employees has been deteriorating.

Furthermore, this productivity increase, though achieved in time of war, will carry over to the postwar world. This productivity increase has outmoded the present level of wage rates which were established before the war on the basis of a much lower production per employee.

We have estimated elsewhere that the 17¢ an hour adjustment per employee would cost General Electric $60,512,000 on the basis of its average 1943 employment and a 40 hour week. See Exhibit 9.

If the 1943 wage-salary cost per dollar of sales of General Electric was adjusted to the 1936-39 level this would make available to General Electric employees some $68,000,000 or more than enough to pay for the wage adjustment.

This applies equally to Westinghouse. The wage adjustment would cost the company $37,400,000 on the basis of its average 1943 employment and a 40-hour week. See Exhibit 9.

If the 1943 wage-salary cost per dollar of sales of Westinghouse was adjusted to the 1936-39 level, this would make available to Westinghouse employees about $21,500,000.

Part 2

GUARANTEED WEEKLY WAGE

"The Union and the Company will cooperate in an effort to accelerate and effectuate necessary conversion and to assure maximum employment.

"For the duration of this contract, employees shall be guaranteed a weekly wage for each week. The guaranteed weekly wage shall consist of the average weekly earnings for forty (40) hours computed on the earnings of the last complete calendar quarter year of their employment, and including any general wage adjustment which may be negotiated, or ordered during the life of this contract. Any payments which employees may receive as the result of the application of unemployment insurance laws shall be offset against such guaranteed weekly earnings."

The companies have rejected the above proposal made by the Union.

The UE request for a guaranteed weekly wage is an implementation of the economic rights of labor outlined by the President in his message to Congress on January 11, 1944. The President stated:

"We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. 'Necessitous men are not free men'. People who are hungry and out of a job are the stuff of which dictators are made.

"In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all—regardless of station, race or creed."

Among the Rights relating to labor are:

"The right to a useful and remunerative job in the industries, or shops or farms or mines of the nation;

"The right to earn enough to provide adequate food and clothing and recreation."

A guaranteed weekly wage is an essential wartime and postwar measure. At this time when our armies are invading Europe, when our navies are striking at Japan, labor must produce as never before to guarantee the success of the invasion. The security which is provided by a planned program to meet cutbacks and insurance against unemployment during the reconversion period, is a guarantee of maximum production.

Security now and in the postwar period is a major contribution

to uniting the entire nation behind a program for permanent peace and prosperity.

The Baruch Report

The Baruch Report recently submitted to the Office of War Mobilization finds that there need not be a postwar depression provided the problems of reconversion and adjustment are handled competently.

"In the reconversion and readjustment will come improvements in our standards of life—better houses, better clothes, better food, better safeguards for children, better health protection, and wider educational opportunities. These bring hope for the future instead of fear; they give security instead of unrest.

"There is no need for a postwar depression. Handled with competence, our adjustment, after the war is won, should be an adventure in prosperity . . ."

The UE agrees with the conclusion of the Baruch-Hancock Report that the reconversion period and the period following the war need not be a period of dislocation of production or employment, provided such measures as the Kilgore Bill providing for a centralized and planned control of reconversion with the help of labor are enacted by Congress, and provided that industry, labor, and government right now begin to plan for the fullest use of the foreign and home markets.

The general officers of the UE have been meeting with industrial officials to discuss questions of reconversion and full employment in the postwar world. We believe that it is only on the basis of such cooperation between industry and labor that an orderly solution to the many problems of reconversion can be worked out. The UE looks forward to extending such procedures and meeting with additional representatives of industry.

Because of Congressional failure to enact suitable legislation and because of inadequate planning on the part of industry and government agencies, labor thus far has had only bad experiences with cutbacks and reconversion. These experiences have induced labor to demand a guaranteed weekly wage from industry as some protection against cutback and reconversion lay-offs. The UE believes that such guarantees to labor from industry will hasten the necessary legislation from Congress and will impel industry to enlist the active cooperation of Labor in planning for an orderly transition from war to peace.

That such a transition from war to peace is possible without dislocation is shown by the record of General Electric and Westinghouse in the first World War.

World War 1 Experience

In the years between 1915 and 1918, a period which includes the

first world war, sales of GE increased from 85.5 million dollars to 217 million dollars or more than 2½ times. In the years 1939 to 1943 which includes the period of the present world war, sales have increased from 305 million dollars to 1,358 million dollars or somewhat more than a four fold increase. The first world war ended in 1918, but by 1920 sales stood at 276 million dollars or more than 25 percent above the war time high.

Thus the experience of the last war shows that GE and Westinghouse need not fear a reduction in volume of sales provided they think seriously about new markets both foreign and domestic.

The facts in regard to Westinghouse are almost the same.

In the years between 1915* and 1918*, a period which includes the first world war, sales of Westinghouse increased from 33.6 million dollars to 95.7 million dollars or almost threefold. In the years 1939 to 1943 which includes the period of the present world war, sales have increased from 175 million dollars to 714 million dollars or somewhat more than fourfold. The first world war ended in 1918, but sales in every year after 1918 exceeded the 1918 total.

New Frontiers for Electrical Industry

It may be claimed that GE's and Westinghouse's expansion in this war was much greater than their expansion in the last war. However, the tremendous possibilities that existed for new markets for electrical products in the industrialization of the world and in raising the standard of living of our own nation were not as clearly seen then as they are now.

These possibilities for new markets are reinforced by the expanding scientific basis of the electrical industry which has developed many new products and has vastly improved the existing products.

The electrical industry is a product of the latest scientific developments of the 19th and 20th centuries. It is an industry in which new products are consistently being developed, and one in which new uses are continuously being discovered for old products. During this war, on the basis of research for war purposes, new frontiers have been established for the electrical industry. While many of the latest developments are still shrouded in war secrecy, the information that has been published shows the possibilities that exist. The old products such as flat irons, washing machines, ranges and the like have been vastly improved. The development of electronics shows great promise for new and tremendous markets.

New Foreign Markets

However, the sale of these products to a mass market calls for the utmost farsightedness on the part of industry in understanding that

*Years ending March 31.

such markets can only be created by increasing the purchasing power of the people and decreasing prices of these products. GE and Westinghouse which produce a huge volume of consumer goods can do the nation and themselves a service by taking the lead in granting such increased purchasing power to their own workers.

The political leaders of our country and many leading industrialists are accepting the view that the industrialization of Asia, Africa and Latin America and the reconstruction of Europe offer tremendous markets for American commodities and capital. Vice-President Henry Wallace in a pamphlet written for the Institute of Pacific Relations in 1944 states that:

"Our own needs, springing from our basic and all-inclusive need for full employment after the war, are not going to be easy to meet. To reabsorb the millions of men now in the army and navy into peacetime production will make it necessary for us to fully use not only our own domestic markets, which must be greatly expanded, but also the demand for our goods and services in foreign markets. As soon as the war is over the United States will want as much sound foreign investment as possible in order to help keep up full employment at home. At the same time other countries will be in great need of our goods to use in their reconstruction and rehabilitation programs."

The Vice-President further recognizes that "when we speak of the development of industry today we think in terms of such things as hydro-electric projects and transportation and communication systems . . ." Hydro-electric projects and communication systems are systems which will use the products of GE and Westinghouse.

Senators Thomas, Kilgore and Truman in a joint statement presented to the Senate of the United States (March 7, 1944) pointed to the need for and the possibility of achieving foreign markets. ". . . We cannot have economic health without a volume of foreign trade above and beyond anything we have ever had before. A large volume of foreign trade will contribute to the peace by insuring full production and full employment at home. It will contribute to the general peace because it will insure a basis for friendly collaboration between nations all over the earth."

"In the late 1920's our highest export business totaled only four to five billion dollars a year. This can be increased many fold."

Secretary of State Cordell Hull in a formal statement inaugurating National Foreign Trade Week on May 20th stated that: "Capital must be made available for the sound development of latent resources and productive capacity in relatively undeveloped areas."

Some estimates of the potentialities of a developed foreign market are advanced by Eugene Staley in his *World Economic Development* written for the International Labor Office in 1944. He estimates that it

would take some 600 million radios to bring the rest of the world up to the American consumption level. The number produced by the United States in 1940 was 11.5 million. For the rest of the world to have as many telephones in proportion to the population as the United States would require nearly 350 million new instruments with the vast amount of central station equipment to make them work.

These are estimates of potentialities only. But Professor Staley also makes some estimates of the capital investments possible in the Asiatic countries *now* supposing the rate of investment were to be the same in relation to population and area as in Japan in the decades 1900-1936. He estimates that in the next ten years the average investment per year could be a minimum of 2.7 billion dollars. After the first decade investments per year would double and continue to increase in subsequent decades. Assuming the Soviet Union's rate of industrialization for these countries, over five billion dollars a year would be required in capital investments.

Donald Nelson Chairman of the War Production Board in an address to the delegates of the 21 Latin American Republics at a meeting of the Conference of Commissions of Inter-American development on May 17th stated:

"By increasing certain industrial facilities beyond our borders at this time, we can achieve greater overall war output and thereby relieve the strain on our own resources. When the war is over and we can supply more goods, further benefits will accrue to this country, in that orders and jobs in heavy industries will be promptly available for our returning soldiers and displaced war workers.

"Over the long term our foreign trade position will be strengthened by steady improvement in the purchasing power of friendly peoples. At the same time, the status of the private enterprise is preserved. The Governments concerned need provide just enough regulation to make sure the action taken is to their mutual long-range advantage.

"Only wise preparation now can prevent a serious postwar business depression and a great wave of unemployment which would immediately spread throughout the world."

As for the South American countries, Professor Staley notes that, "well informed authorities on the amount of investments that could reasonably be made in the Latin American countries in the first postwar decade suggest the figure of 5 to 6 billion dollars, more than half of which would come from the United States."

The visit of Eric Johnston, Chairman of the United States Chamber of Commerce, to the Soviet Union can be interpreted as a development of the desire to establish closer trade relations between the United States and the Soviet Union. Orders totaling $2,500,000,000 have already been placed in the United States, and according to the *New York Times* of May 5, 1944, "those United States orders are only the beginning of what

Russia hopes to do."

The Magazine of Wall Street, (June 24, 1944) reports active negotiations between the Soviet Union and electrical equipment manufacturers for hydro-electric, communications, and other electrical equipment.

We may expect that in the reconstruction of Europe there will be a similar demand for domestic industrial and electrical equipment.

In discussing the possible magnitude of investments abroad Professor Staley emphasized that "there has never been a comprehensive and systematic programme of international development promoted by governments, in peacetime, so that past standards of comparison might not be applicable if a concerted developmental effort were undertaken."

General Electric, and to a lesser extent Westinghouse, have outlets in almost every major country. The General Electric Company has its specialized organizations set up to handle production and distribution on an international scale. With such an organizational arrangement, it is obvious that a statesmanlike approach to questions of international trade and markets in the postwar world is absolutely necessary.

These markets must be developed with a view to industrializing backward countries rather than on the basis of the exploitation of their peoples. As Secretary Morgenthau said in his opening address to the Monetary Conference on July 2, 1944, "There is a tragic fallacy in the notion that any country is liable to lose its customers by promoting greater production and higher living standards among them. Good customers are prosperous customers."

The intensive cultivation of foreign markets by GE and Westinghouse, therefore, affords these companies a guarantee for continual production at wartime levels without interruption.

New Domestic Markets

These foreign markets will only supplement the home markets which offer vast potentialities for the sale of electrical equipment. Studies made of the use of electrical equipment by consumers have shown that consumers in higher income brackets have purchased the vast bulk of electrical appliances, while among consumers with lower incomes, the use of such electrical domestic appliances is extremely limited. These consumers in the lower income brackets comprise two-thirds of our population. ***The leaders of our industry who recognize the purchasingpotentialities of these lower income groups will take the lead in pressing for higher wages, guaranteed weekly, in order to assure themselves of a large and continuing home market.***

"Five billion dollar demand for new farm electrical appliances and for power lines to energize them will be released at the end of the war, it is estimated by the Government" according to a report in the

Wall Street Journal of June 6th, 1944. Electrification of the farm had lagged behind the electrification of industry and city homes because of the greater cost of installing electrical systems on farms and the lag of purchasing power of the farmers in the past. A continuation of the purchasing power of the farmers after the war will insure that the farmers will not hesitate to spend their savings for equipment that will help them in their work and for equipment that will help them in their homes.

The sound economic basis for a guaranteed wage to employees has been proved in one outstanding example in private industry. This is the case of the Hormel Packing Company which through collective bargaining with the CIO union has guaranteed an annual wage to its employees. This plan has stabilized the earnings of Hormel employees—these stabilized earnings have led to new jobs in the community—and has therefore increased the community's purchasing power over and beyond the original wages paid by Hormel.

This suggests that stabilizing one part of our economy will help stabilize other parts, and therefore increase overall purchasing power. Since a very large part of the increased purchasing power is spent for durable consumers' goods such as electrical appliances, electrical manufacturers should make special efforts to stimulate such purchasing power by initiating guaranteed weekly wage plans.

Industry and Farmer Given Guarantees

It may be claimed that guarantees for any section of the population are not customary or usual. The following sections show that both the farmer and industry are guaranteed against dislocations in the reconversion period.

At the express suggestion of the President, contained in his message to Congress in September of 1942, an amendment to the Emergency Price Control Act (56 Stat. 765,767) was enacted, guaranteeing to the farmers for two years following the cessation of hostilities a minimum return of 90% of parity of certain basic crops.

The farmers have thereby received their guarantee for a two-year period following the end of the war.

The UE reaffirms its belief that the reconversion period and the period following the war need not be a period of dislocation. Should there be some temporary slack until reconversion is completed General Electric and Westinghouse would be able to operate at 85 percent of capacity. By adopting the 40-hour week they would still be able to employ their 1943 average employment. But again the UE believes that if industry really grasps the opportunities afforded by the foreign and domestic markets the 40-hour work week would not be enough to supply production demands.

In addition, as we have already stated, Congress has enacted special measures in the wartime revenue tax bills which guarantee industry against such dislocation. These are additional financial safeguards to General Electric and Westinghouse in guaranteeing its employees weekly wages.

The Revenue Act of 1942 provides for a 10% postwar refund of the excess profits liabilities of any one company for the year 1942 and subsequent years.

Post War Refunds to Corporations

An additional measure guarantees to General Electric and Westinghouse for two years, postwar tax refunds by a system of carry backs and carry overs. See Exhibit No. 10 for complete details.

If the profits of GE after the war fall below its average 1936-1939 profits, it gets a refund of 41 cents for each dollar of difference. In addition if GE suffers a net operating loss it is guaranteed a refund of 81 cents for every dollar of loss. This would mean that if GE were to break even it would get refunds of over 23 million dollars, which would give it a net profit after taxes almost as high as it made in some peacetime years, or if it were to make a profit of 10 million dollars, it would get a refund of over 19 million dollars, which would give it a total net profit which compares favorably with peacetime years.

If the profits of Westinghouse after the war fall below 8% of its invested capital, it gets a refund of 41 cents for each dollar of difference. In addition if Westinghouse suffers a net operating loss it is guaranteed a refund of 81 cents for every dollar of loss. This would mean that if Westinghouse were to break even it would get refunds of over 10 million dollars, which would give it a net profit after taxes almost as high as it made in some peacetime years. If it were to make a profit of only 10 million dollars, it would get a refund of over 6 million dollars, which would give it a total net profit after taxes which compares favorably with peacetime years. If the company were to suffer a loss of 10 million dollars it would get a refund of 18 million dollars.

In the absence of any obligations to their employees, GE and Westinghouse may prefer curtailed operations and not suffer any loss because of the government guarantee. A guarantee to its employees laid-off because of reconversion would insure that the welfare of the employees would be served before the partisan interests of the company.

We have indicated elsewhere the huge profits GE and Westinghouse have made during the war period as a result of the failure of Congress to enact tax laws which would pick up excess profits.

We would again like to point to the huge reserves that have been amassed by GE and Westinghouse. In 1939 GE had undistributed profits of 124 million dollars. In 1943 its undistributed profits stood at

156 million dollars. In 1939 its reserves totaled 44 million dollars. In 1943 its reserves had reached the figure of 94 million dollars. This represented an increase in GE's resources of almost 50 percent between 1939 and 1943.

In 1939 Westinghouse had undistributed profits of 39 million dollars. In 1943 its undistributed profits stood at 68 million dollars. In 1939 its reserves totaled 10 million dollars. In 1943 its reserves had reached the figure of 38 million dollars. This represented an increase in Westinghouse's resources of more than 100 percent between 1939 and 1943.

These resources built up in wartime years afford GE and Westinghouse the basis for guaranteeing weekly wages to their employees.

Other Corporation Guarantees

Other provisions in government revenue measures have made GE's and Westinghouse's financial position particularly strong. The government has permitted the companies to write off plants over a five year period instead of the normal 20 year period in the case of emergency facilities built for wartime purposes. Up to the close of 1943 GE had expended 53 million dollars for facilities specifically for war products and this is being written off in a five year period, out of war profits before payment of taxes.

In addition, during the same period the government spent 140 million dollars for plants and equipment leased to GE, which the company will probably be able to buy after the war at bargain prices. The same general condition pertains to Westinghouse. Not only does this mean that these companies will have additional resources, but the plant itself will be of the newest and most efficient type, and will result in lowered operating costs and hence in a greater margin of profit.

These resources, therefore, serve as an additional testimony to the ability of GE and Westinghouse to guarantee weekly wages during the period of reconversion.

The working capital of GE and Westinghouse will make it possible for them to pay the guaranteed wage should it be necessary to lay off employees because of cutbacks and reconversion. In a release to the press on June 8th, the Securities and Exchange Commission noted that American industry as a whole has so strengthened its capital structure as to be able to handle the task of reconversion without outside financial assitance. In the case of 68 manufacturing corporations with assets of 100 million dollars and over the Commission found that working capital had increased some 2,400 million dollars between 1939 and 1943, and that the ratio of current assets to current liabilities for these corporations was 2 to 1 in 1943. GE and Westinghouse during these years were always in a very fine liquid

condition. Their ratio of current assets to current liabilities averaged 2 to 1 or as good as that shown by the Commission for the largest corporations. Thus GE and Westinghouse have the liquid assets to pay those of their employees they find necessary to lay off because of cutbacks and reconversion.

The Baruch Report establishes certain definite guarantees for all contractors and subcontractors covering swift and fair settlement of terminated war contracts, creation of credit facilities, disposal of surplus government property to private industry and the swift removal of government property from the plants of private contractors.

All of these proposals are predicated upon the need of making it possible for private industry to engage as quickly as possible in peacetime production and provide full employment. The Union is in accord with these objectives and has so indicated to the appropriate officials.

Guaranteeing Labor a Weekly Wage

However, the UE believes it only fair that in conjunction with the proposals of the Baruch Report and particularly in light of the desired goals that labor be given equal protection. The protection which the UE seeks is a guaranteed weekly wage. Only through such equitable treatment for the various groups of our national economy can we maintain our national morale and achieve the national unity necessary to proceed forward as suggested in the Baruch Report in these words:

"Our great wealth can be used or abused. We have no fear that it will not be used for the advantage of America and the world in the most rational and enlightened manner. The living standards of the world must be lifted—and ours go higher—not our standards be dragged down to those of others."

The UE submits that this inspired aim can be achieved on the basis of the protection already afforded to industry combined with the protection sought and desired by labor through guaranteed economic security and full employment.

Dated: July 1944.

Respectfully submitted,

United Electrical, Radio, and Machine Workers of America, C.I.O.

by Albert J. Fitzgerald
PRESIDENT

Julius Emspak
GENERAL SECRETARY-TREASURER

Exhibit 1

Trends in Corporate Profits, 1936-1944

(in millions of dollars)

Years	Net Income before Federal Taxes	Federal Income and Excess Profit Taxes	Net Income after Taxes	Net Dividend Payments	Net Income Retained
1936	5,094	1,191	3,903	4,703	800*
1937	5,148	1,276	3,872	4,832	960*
1938	2,340	860	1,480	3,222	1,742*
1939	5,272	1,232	4,040	3,841	199
1940	7,327	2,549	4,778	4,068	710
1941[a]	14,437	7,166	7,271	4,463	2,808
1942[b]	20,200	11,750	8,450	4,100	4,350
1943[b]	22,600	13,450	9,150	4,000	5,150
1944[b]	24,500	14,600	9,900	4,100	5,800
1936-39 average	4,464	1,140	3,324	4,150	826*
1940-44 average	17,813	9,903	7,910	4,146	3,764

Source: *Hearings before the Committee on Finance, U. S. Senate,* 78th Congress 1st session on H.R. 3687, Revenue Act of 1943, pp. 90-92.

[a] Preliminary figures.

[b] Estimated. These estimates for 1943 and 1944 are actually too conservative, according to *Third Annual Report of the Special Committee Investigating the National Defense Program* (Truman Committee),—78th Congress 2nd session, 1944, p. 37. The Truman Committee presents Treasury estimates of net income after all taxes, and after renegotiations of 10 billion dollars in 1943 and 11 billion dollars in 1944. This is about one billion dollars more than listed in the table above.

* Net loss or deficit.

Exhibit 2

A Summary of the Reports

Cost of Living by George Meany and R. J. Thomas, Labor Members of Presidential Committee on Cost of Living

Living Costs in World War II, 1941-1944 by Philip Murray and R. J. Thomas

45.3% RISE IN THE COST OF LIVING

These reports find that the cost of living rose by at least 43.5% from January 1941 to December 1943, and 45.3% from January 1941 to March 1944. These findings, the Labor reports emphasize, are "highly conservative."

"Furthermore," the labor representatives conclude, in regard to the cost of living surveys conducted by the Bureau of Labor Statistics which showed that prives have only risen 22.8% "the B. S. L. (Bureau of Labor Statistics) Cost of Living Index is unreliable as a basis for wage adjustments during the war period."

FOOD

The C.I.O. survey finds that "food costs to wage earners and lower salaried workers during the three war years have risen at least 71.9% above the level of January 1941."

"This," states the survey, "is a conservative finding; at many points we have pared our correction factors to a minimum."

To check and doublecheck this conclusion, the labor survey used two methods. For the first method Department of Agriculture figures for the quantity of all food consumed by civilians was compared with Department of Commerce figures on what civilians spent for food in 1940 and 1943. It was found that while the quantity of food consumed by civilians had declined by one percent since 1940, consumers spent 70% more for this food in 1943 than in 1940. This meant that for every dollar spent for food in 1940, $1.72 had to be spent in 1943.

Using the second method, the survey was able to show in detail why the Bureau of Labor Statistics' Cost of Living Index was so faulty.

BLS Considers Only A Limited Number of Foods

It was found that the BLS takes only a limited number of foods into its calculations. These are the foods on which OPA puts price ceil-

ings and controls most closely. As a result the prices of these foods go up more slowly. The foods the BLS does not measure are not subject to such strict controls by the OPA. As a result, these foods also consumed by workers, rise much more rapidly in price than the foods the BLS measures. The foods not measured by the BLS increased 57.3% between Jan. 1941 and March 1944; the foods measured by the BLS rose only 37.1%.

According to the BLS the foods it priced rose 37.1 percent between January 1941 and March 1944. But the foods it didn't price, also important in the worker's wartime budget:

rose 62 percent in Erie, Pa.* with 10,000 General Electric workers

rose 100 percent in Bloomfield, N. J.* with 3,100 General Electric and 6,000 Westinghouse workers

rose 81.0 percent in Springfield, Mass.* with 5,000 Westinghouse workers

rose 42.7 percent in Syracuse, N. Y. with 5,000 General Electric workers

rose 58.3 percent in Mansfield, Ohio with 5,000 Westinghouse workers

rose 42.8 percent in Canton, Ohio with 2,500 Westinghouse workers

rose 56.1 percent in Cleveland with 6,000 General Electric and 500 Westinghouse employees

BSL Makes No Adjustment For Disappearance of Weekend Sales

In January 1941 many families were able to buy much of their food at special sales prices over the weekend. Since then these weekend sales have almost completely disappeared. But the BLS always collected its prices on Tuesday and never measured the lower prices because of weekend sales in January, 1941. As a result its March 1944 food figures underestimate the increase since January 1941.

Sales At Above Ceiling Prices Do Not Show Up In The BLS Cost Of Living

Any worker can confirm from his own experience the statement made by Richard V. Gilbert, Economic Advisor to the OPA in testifying before the House last September that "the evidence that we have indicates that by and large food prices at retail are approximately 5 percent above ceiling levels." It is obvious that a storekeeper violating

*According to studies made by United Electrical, Radio and Machine workers of America using the methods outlined in the supplementary CIO Cost of Living study, *Living Costs in World War II,* 1941-1944.

OPA regulations would hesitate to be honest about it to any government man even though he represents only the BLS.

Poorer Quality and Upgrading of Foods Not Measured by the BLS

Many illustrations are given: "Before price control, when a worker bought meat, the butcher would always trim off excess fat, and in the case of pork, all kinds of roasts and ham, would also chop off some of the bone before the meat was weighed.

"Today the same roast is untrimmed, and the price of $2.50 for 5 pounds includes one-half to three-quarters pound of waste.

"Workers filling questionnaires almost unanimously answered that due to meat being untrimmed. 'the same price buys less meat.' Hamburger, which used to be the poor man's dish, is now as costly as higher cuts of meat. For now you have to buy higher priced cuts and have them ground into hamburger in order to secure an edible dish. One loses one-quarter to one-half in this process because a large part of the ground meat is fat. 'Due to this, family meat costs have risen as much as 50% in all grades of meat.'"

Another cause of boosted prices is given as lack of grade-labeling. As a result of an act of Congress in July, 1943, the survey says, "the OPA has withdrawn all of its provisions requiring foods to be labeled according to grade so that consumers can be protected from paying top prices for bottom qualities. The killing of grade labeling has meant increased prices for consumers, as upgrading (price increases without increases in quality of goods) cannot be effectively halted." Again in 1944 Congress killed grade-labeling.

The BLS misses the deterioration of quality and upgrading because it collects prices of food but does not examine the food itself. In the case of national chain stores in most cases food prices are mailed to the BLS or a BLS agent gets his prices from a branch office of the National Chain. When the BLS agent does go to the store as in the case of independents and some chains, he doesn't actually make the purchase or examine the food and so misses worsened quality or upgrading.

Restaurant Prices Disregarded Altogether By The BLS

The BLS does not measure restaurant price increases. Instead it takes it for granted that restaurant prices have risen no faster than the other food it measures. But everybody knows that because ceiling prices on restaurant meals were delayed until 1943, prices rose very rapidly. And even after price control for lack of effective enforcement, prices increased, portions were reduced, servings were eliminated and the quality of the food served became worse.

"The ham sandwich used to cost 15c; today it costs 25c and there is much less ham in the sandwich than previously. In many cases there is only one-half a normal sandwich serving of ham in today's ham sandwich."

This price rise is especially important since working families are depending more and more on restaurants for their meals.

"When the wife has a job as well as a husband, there is often no one free to purchase food or to prepare meals. Single men and women working in war centers away from home must eat out until they can settle down. In-plant feeding arrangements, largely a war phenomenon, induce workers to leave their lunch pails at home."

"These and other factors have resulted in an increase in the physical volume of food consumed in eating and drinking places."

CLOTHING

The report found that workers' clothing costs have risen 76.8 percent in the period January, 1941 to March, 1944; the BLS found only a 35.7 percent increase.

Three separate methods were used to arrive at this estimate and each method gave almost the same result.

The first method compared the Federal Reserve Board's figures on the quantity of goods produced for civilians in 1940 and 1943 with Department of Commerce figures of money spent by consumers for clothes. While 5 percent less goods were produced in the last quarter of 1943 than in the last quarter of 1940, retail clothing sales rose by 67.5 percent for this period. In other words for every dollar spent for clothing in 1941, the purchaser was spending $1.76 in Jan., 1944.

Another check on clothing prices was made by comparing price changes in two of the largest mail order catalogues. It was found that "prices charged for 136 (representative) items still available for pricing in 1943, rose by 71.7 percent from the 1941 spring catalogue to the 1943 fall catalogues."

Finally, the reasons for the BLS failure to measure fully the increased cost of clothing were analyzed.

Quality Deterioration

The CIO-AFL report found "that the quality of low priced clothing items — those commonly purchased by wage-earners and lower priced salaried workers has deteriorated by at least 20 percent during the war years."

"In women's clothing . . . quality deterioration has been even greater, ranging from 30 to 40 percent . . . Rayon slips sell for about as much as silk slips once did."

The serious nature of quality deterioration is confirmed by James S. Earley of the OPA. He told the American Home Economics Association on June 24, 1944 that "clothing prices continue to creep upward and quality deterioration, only partially reflected in price statistics, is very serious."

Trading Up

Consumers are finding that lower priced articles of clothing have disappeared from the market. This is due to the fact that manufacturers have found it more profitable to produce and dealers have found it more profitable to sell higher priced lines. When the consumer does purchase the higher-priced line because of shortages in the lower-priced ranges, the quality may be no better and even worse.

Sales Above Ceiling Prices

Discussing price violations, the labor representatives' report states that "an OPA investigation of 300 chain stsoes selling clothing disclose ceiling violations in approximately 40 percent of the stores."

Mr. Bowles points out that the chief difficulty arises out of inadequate appropriations: "Today, our efforts to enforce OPA price ceilings in over two million stores and business establishments are badly hampered by the fact that, because of budgetary restrictions, our OPA investigational staff numbers less than one man for every county in the United States."

"Another factor resulting in an increase in clothing prices is the decrease in markdowns and special sales. Consumers who formerly relied on sales in making purchases now have to pay more for the goods that they buy."

RENTS

"The true rise in rents," says the labor survey, "would amount to more than 15 percent from January 1941 to December 1943." The BLS found only a 3 percent increase. Moreover, many of our members work in communities particularly affected by the impact of the war. While the inadequate figures of the BLS showed only a 3 percent increase for the country as a whole,—

Schenectady, New York rents were 277 percent above the national average (31,000 General Electric workers).

Springfield, Mass. rents were 147 percent above the national average (5,000 Westinghouse workers.)

Erie, Pennsylvania rents were 160 percent above the national average (10,000 General Electric workers.)

BLS Measures Rents In Large Cities For The Most Part

The BLS shows stable rents because it has measured increases in large cities for the most part, but it is the suburban area of these large cities, and medium and small cities which have been most affected by the war. It is in these areas that rents have increased most.

BLS Does Not Show Increased Rents Of New Units In Housing

New units rent for 25 percent more on the average than similar pre-war units. But the method the BLS uses conceals this increase in rents. This results in a 5 percent underestimate by BLS.

BLS Measures Only Family Dwelling Units

The BLS measures only the rents of family dwelling units. Rooming houses, trailer camps, hotels, and light housekeeping rooms are not considered. In time of war these have been a major factor in housing war workers, and the rents of such housing have gone up tremendously because the OPA has found it almost impossible to regulate such rentals.

"It is not uncommon to find rooms — when obtainable — 2, 3, 4 and 5 times their pre-war rentals, and with far less space and service per tenant."

BLS Fails To Show Violations And Evasions Of Rent Control

Violations and evasions of OPA Rent Control are of many types, such as sub-tenancy, higher rentals for so-called furnished houses, lack of control over sales and sales prices, payments in "advance" made to landlords which are never recorded, and non-registrations. The BLS records none of these in its rent index. "As a result of such evasions, rentals in war centers have increased by more than five times the average increase shown in the (BLS) Index, they have increased more for non-whites than for whites, and they show signs of increasing further."

The Tenant Pays

The report stresses the fact that deterioration in the quality of housing and failure of landlords to provide repairs, maintenance and service are common in wartime housing. According to OPA figures, outlays for repairs and maintenance decreased by 12 percent on the average for apartment dwelling units, and decreased 19% for smaller dwelling units, in the three years 1939 to 1942.

In other words, the landlords are indirectly raising rents by telling the tenants to do their own repairs and maintenance. But the BLS Index does not show this charge.

HOUSE FURNISHINGS

The cost of house furnishings to wage earners and low salaried employees rose 63.5 percent from January 15, 1941 to March 1944, the survey found. The BSL Index increase was only 27.8%.

Disappearance Of Low Cost Items

"In item after item of household furnishings," according to the CIO-AFL survey, "from sheets and blankets to furniture and kitchen utensils, the two largest mail order houses display in their successive catalogues this characteristic disappearance of the low-cost items, usually after a substantial price rise, accompanied by a shift to a higher price line at inferior quality."

Quality Deterioration

The BLS does not take quality deterioration into account in computing prices, but because of "wartime shortages of chrome, tin and other metals, household items have poorer finishes, resulting in shorter life."

For example, take can openers or knives, household necessities. "Technicians interviewed for this report state than can openers now on the market last only one or two weeks, whereas before the war they could be expected to last for a year or more. Knives made of carbon steel cannot hold their edges and are generally ruined after being ground a few times." This quality deterioration is true of kitchen utensils, sheets and towels, furniture and rugs.

MISCELLANEOUS ITEMS

In the case of miscellaneous items such as transportation, medical care, recreation, personal care, and other household operations, the BLS underestimates the increase in their costs.

Used cars are a case in point. The BLS dropped used cars out of its Index in the latter half of 1942 because the Bureau claimed that gasoline rationing was restricting the use of the car. However, automobiles are an important means of transportation for thousands of war workers. The prices of used cars have soared and the OPA has belatedly taken notice of the importance of such used cars to workers by establishing price ceilings in June 1944.

Most service industries have been under OPA price controls since September 1942 but controls in most cases have been a dead letter according to a *New York Times* report of June 22, 1944. According to this report shoe repair costs have gone up at least 40 percent. Other establishments operating without any effective control are cleaning and dyeing, tailors and dressmakers, appliance repair, and laundries.

LABOR SURVEYS CONSERVATIVE IN THEIR ESTIMATES

As the surveys repeatedly emphasize their figures are "conservative." Increased costs due to black market operations are not considered. Nor do they take into account the steeper rise in the cost of living in war centers except in the case of rent. Some five million workers have had to move from their community to another community, but their moving expenses are not considered. Finally not considered is the effect of increased taxes and war bond savings on the income available to the worker to consume goods.

THE DEFECTS OF THE PRICE CONTROL BILL OF 1944 WILL RESULT IN INCREASED PRICES

As was to be expected from the present Congress, the Price Control Bill of 1944 has many weaknesses which will result in increased prices. By weakening the power of OPA to enforce its regulations the Bill will encourage violations. The Bill will provide for increases in some types of clothing. By directing OPA to adjust rent ceilings where they work a "hardship" on the landlord or to abondon rent control altogether where no longer necessary, it enables landlords to renew their pressure for increased rents.

The only purpose of Congress in passing this measure was to provide an excuse for continued freezing of wages while prices are actually allowed to soar.

CONCLUSION

The foregoing body of facts leads to the conclusion, as President Roosevelt said on September 7, 1942, that with rising living costs wage earners "have a right to an increase in . . . wages" as a matter of "essential justice and . . . practical necessity."

In his message to Congress on the same day President Roosevelt said:

> "Prices and rents should not be allowed to advance so drastically ahead of wage rates that the real wages of workers as of today — their ability to buy food and clothing and medical care — will be cut down. For if the cost of living goes up as fast as it has threatened to do in the immediate future, it will be unjust, in fact impossible, to deny workers rises in wages which would meet at least a part of that increase."

The passage of the intervening months has served to emphasize the soundness of the President's conclusion. The body of facts con-

tained in this study emphasizes that the time has arrived for acting on this conclusion. The obsolete Little Steel formula of the National War Labor Board should be replaced with a realistic one that will not impede the war effort, and threaten the successful prosecution of the war against the Axis.

Exhibit 3

NATIONAL INCOME, 1939 and 1943[a] *(Including Federal Corporate Income Taxes)*

Showing the Income from Production and Who Gets It. *(In Billions of Dollars)*

	1939 Amount	1939 Percentage	1943[b] Amount	1943[b] Percentage	Percentage Increase in 1943 over 1939
Interest Payments on National Debt	.9	1.2%	2.5	1.5%	
Other Interest Payments on Rent	6.5	9.0%	7.3	4.3%	
Undistributed Profits	.4		14.4		
Dividends	3.8	8.0%	4.8	13.9%	302%-Corporations
Federal Corporate Income Taxes	1.6		4.1		
Farmers	4.3	5.9%	12.0	7.1%	179%-Farmers
Professionals and Other Self-Employed	6.9	9.5%	11.3	6.7%	
Salaries and Wages (Civilians)	47.6	65.7%	99.6	59.3%	109%-Labor as a whole
Salaries and Payments (Armed Forces)	.4	0.55%	12.0	7.1%	
TOTAL National Income	72.4		168.0		132%-Nation as a whole
Number of Civilian Employees (in millions):					
Employees in Non-Agricultural Establishments	30.1		38.3		
Hired Farm Employees	2.5		2.3		
Domestics	2.1		1.6		
TOTAL Number of Civilian Employees	34.7		42.2[c]		22% — In number of Civilian Employees
Annual Compensation per employed: Civilian Employee (in dollars)	$1,372		$2,360		72% — Labor as individuals

Footnotes on following page.

NATIONAL INCOME, 1939 and 1943[a] (continued)

[a] SOURCE: The Department of Commerce, at the request of the editors of *Fortune* Magazine, prepared from its material and from material supplied by other departments of the Federal Government, the national income for the year 1939 and the year 1943 at the rate of the fourth quarter of 1943 for *Fortune*, which is published in the January 1944 issue of the magazine. These data corresponded with published data of the Department of Commerce (see monthly and annual issues of the *Survey of Current Business*, published by the Department of Commerce) and found to be substantially accurate. In order to make certain necessary enlargements of this material, figures were secured from the Bureau of Labor Statistics (Labor Department) and the Bureau of Agricultural Economics (Agriculture Department) on the amount of civilian employment in the years of 1939 and 1943 (see regular releases on farm employment and non-agricultural employment issued by these Bureaus). Data on salaries and payments received by the Armed Forces was secured for the year 1939 from the Department of Commerce and, on this basis were estimated for 1943.

[b] Actually not 1943, but the still higher rate estimated for the last quarter of 1943.

[c] For actual year of 1943.

(From material submitted to Panel of National War Labor Board by the United Steelworkers of America [Case No. 111-6230-D 14-1]).

Exhibit 4

Average Profits, Dividends and Depreciation for the years 1936-39 and 1940-43:

General Electric Co. and Westinghouse Electric & Mfg. Co.
(in thousands of dollars)

	General Electric Co. [a]	Westinghouse E & M Co.
NET PROFITS BEFORE INCOME TAXES		
1936-39 Average	54,536	17,956
1940-43 Average	213,710	70,059
Percent of Increase	292.9%	290.2%
DIVIDENDS PAID		
1936-39 Average	43,186	11,686
1940-43 Average	46,096	13,189
Percent of Increase	6.7%	12.8%
DEPRECIATION, DEPLETION, AMORTIZATION		
1936-39 Average	15,586	4,784
1940-43 Average	26,108	8,827
Percent of Increase	67.5%	84.5%

SOURCE: Published financial statements (consolidated) of General Electric Co. and Westinghouse Electric and Mfg. Co. as available in *Moody's Industrials* and from the Securities and Exchange Commission.

[a] Consolidated General Electric Co. figures for 1943 are estimated.

Exhibit 5

Profits Before Taxes for 1936-1943:
General Electric Co. and Westinghouse Electric & Mfg. Co.
(in thousands of dollars)

	General Electric Co.	Westinghouse Co.
Net Profits Before Taxes		
1936	54,055	18,687
1937	77,257	25,788
1938	33,942	10,313
1939	52,888	17,037
Average 1936-1939	54,536	17,956
1940	108,446	32,416
1941	203,082	68,781
1942	265,045	72,818
1943	278,267[a]	106,222
Average 1940-1943	213,710	70,059

SOURCE: Same as Exhibit 4.

[a] Consolidated General Electric Co. figure for 1943 is estimated.

Exhibit 6

Total Assets, Undistributed Profits, and Reserves:
General Electric Co. and Westinghouse Electric & Mfg. Co.
1936, 1939, and 1943
(in thousands of dollars)

	General Electric Co.[a]		Westinghouse E&M Co.	
	Amount	Percentage Increase 1943 over 1939	Amount	Percentage Increase 1943 over 1939
Total Assets as of:				
Dec. 31, 1936	407,267		203,735	
Dec. 31, 1939	433,680		217,158	
Dec. 31, 1943	712,021	64.2%	470,192	116.5%
Undistributed Profits (Surplus) as of:				
Dec. 31, 1936	121,483		29,252	
Dec. 31, 1939	124,310		39,379	
Dec. 31, 1943	155,809	25.3%	67,791	72.2%
Reserves as of:				
Dec. 31, 1936	43,090		9,154	
Dec. 31, 1939	44,299		10,382	
Dec. 31, 1943	94,601	113.6%	38,180	267.8%

SOURCE: Same as Exhibit 4.

[a] Consolidated General Electric Co. figures for 1943 are estimated.

Exhibit 7

Resources of General Electric Co. and Westinghouse Electric and Mfg. Co.: 1936, 1939, 1942 and 1943.

(in thousands of dollars)

	Undistributed Profits (Surplus)	Reserves	Total Resources	Estimated Addition to Resources[b]
General Electric Co.				
December 31, 1936	121,483	43,090	164,573	
December 31, 1939	124,310	44,299	168,609	
December 31, 1942	146,328	86,565	232,893[c]	14-19 million dollars
December 31, 1943[a]	155,809	94,601	250,410[c]	(1941-43)
Westinghouse E&M Co.				
December 31, 1936	29,252	9,154	38,406	
December 31, 1939	39,379	10,381	54,779	
December 31, 1942	56,242	26,168	82,410[c]	5-11 million dollars
December 31, 1943	67,791	38,180	105,971[c]	(1941-43)

SOURCE: Same as Exhibit 4.

[a] Consolidated General Electric Co. figures for 1943 are estimated.

[b] Estimate of addition to resources is our estimate of the excess provision for depreciation, obtained by using the average depreciation rate for 1936-1940 to estimate depreciation for 1941-1943.

[c] Before potential tax refunds on 1942 and 1943 Federal Excess Profits and Income Taxes.

Exhibit 8

Salaries of Executives of General Electric Co. and Westinghouse Electric & Mfg. Co. 1936-1943

Total Remuneration Paid to All Officers and Directors

	General Electric Co.	Westinghouse E&M Co.	Total
1936	$ 992,634	$ 732,134	
1937	1,460,542	923,988	
1938	1,507,812	886,693	
1939	1,215,567	818,595	
1940	1,198,025	895,468	
1941	1,484,969	1,066,186	
1942	1,555,941	1,144,673	
1943	1,304,004	1,182,758	$2,486,762
Average 1936-1939	1,294,139	840,352	2,134,491
% Increase 1936-39 to 1943	.76%	40.74%	16.50%

Exhibit 9 (first part)

Gross Annual Cost of 17-Cent Wage Adjustment to General Electric Co.

A.	Gross cost for all employees based on 40 hours per week and 52 weeks per year:	
	(17 cents per hour x 40 x 52 equals $353.60 per employee per year)	
	$353.60 x 171,133[a] (total employment) equals	$60,512,629
B.	Gross Cost for all employees based on estimated 1943 average weekly hours of 46.1 and 52 weeks per year:	
	40 x 17 cents equals	$6.80
	1½ x (6.1 x 17 cents) equals	1.56
	Gross cost per man per week	$8.36
	$8.36 x 52 x 171,133[a] equals	$74,394.938

[a] Total employment from the *Annual Report of General Electric Company.*

Exhibit 9 (second part)

Gross Annual Cost of 17-Cent Wage Adjustment to Westinghouse E. & M. Co.

A.	Gross cost for all employees based on 40 hours per week and 52 weeks per year:	
	(17 cents per hour x 40 x 52 equals $353.60 per employee per year)	
	$353.60 x 105,702[a] (total employment) equals	$37,376,227
B.	Gross Cost for all employees based on estimated 1943 average weekly hours of 45.8 and 52 weeks per year:	
	40 x 17 cents equals	$6.80
	1½ x (5.8 x 17 cents) equals	1.48
	Gross cost per man per week	$8.28
	$8.28 x 52 x 105,702[a] equals	$45,511,053

[a] Total employment from the *Annual Report of Westinghouse E. & M. Company*

Exhibit 10

Potential Refund Based on Carry Back Feature of Internal Revenue Law

(in thousands of dollars)

	1944 Profits 30,000	1944 Profits 20,000	1944 Profits 10,000	1944 Profits none	1944 Loss 10,000
General Electric Co.					
Earnings — 1944	30,000	20,000	10,000	—0—	10,000
Excess Profit Credit (Based on 1936-39)	57,563	57,563	57,563	57,563	57,563
Unused Excess Profit Credit	27,563	37,563	47,563	57,563	57,563
Net Refund Due as Result of carrying back to year 1942 Unused Excess Profit Credit	11,301	15,401	19,501	23,601	31,701
Westinghouse Electric & Mfg. Co.					
Earnings — 1944			10,000	—0—	10,000
Excess Profit Credit-1944 (Based on 8% of invested capital)			25,458	25,458	25,458
Unused Excess Profit Credit			15,458	25,458	25,458
Net Refund Due as Result of carrying back to year 1942 Unused Excess Profit Credit			6,338	10,438	18,538

NOTE: On every $1,000,000 of Allowable Unused Excess Profit, there is a Net Refund of $410,000 if profits fall below the 1936-1939 average profits for General Electric, or 8% of invested capital for Westinghouse. If there is a net operating loss, each company is entitled to an additional refund of eighty-one cents for every dollar of loss.

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